



Annual report 2019

Fair Wear Foundation

2019: Fair Wear at a glance

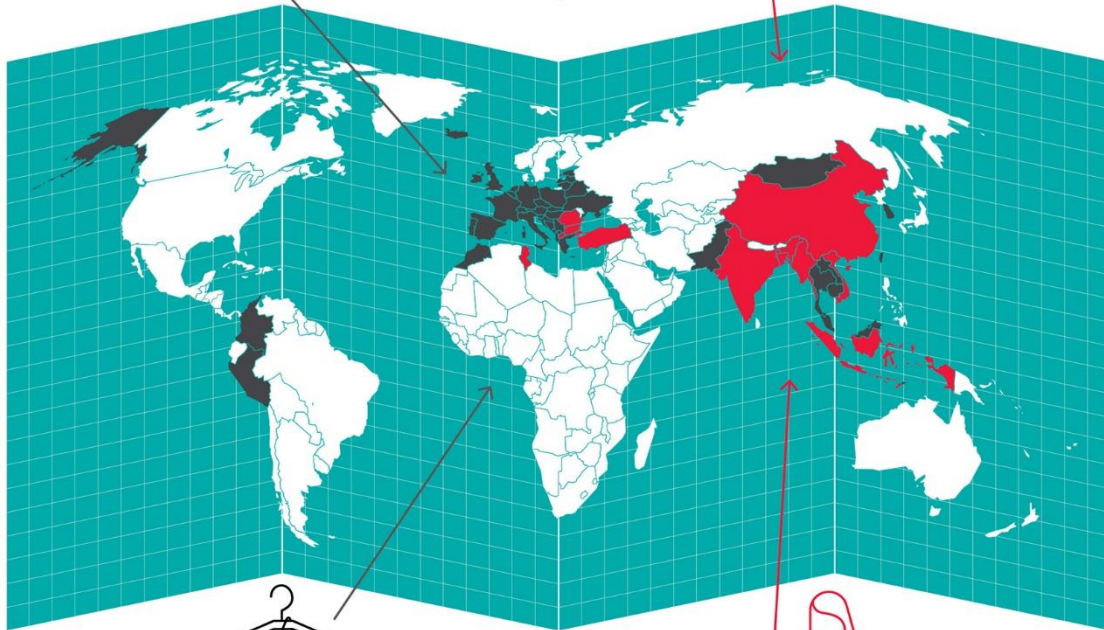
76 Brand Performance Checks

Austria 1
 Belgium 10
 France 2
 Germany 25
 Italy 1
 The Netherlands 17
 Portugal 1
 Sweden 8
 Switzerland 8
 United Kingdom 3



261 factories audited

102 complaints received
 75 complaints still being followed up on from previous years
 90 complaints either closed or resolved



82 members

representing 134 brands
 72 existing members
 9 new members
 1 suspended member
 2 terminated members

New members

Belgium
 Van Heurck NV - brand: Van Heurck
 The Woody Group
 - brands: Woody and Lords & Lilies

Denmark
 Mascot International A/S
 - brand: MASCOT

Germany
 Hama GmbH & Co. KG
 - brands: coccazoo and Step by Step
 Ortovox Sportartikel GmbH
 - brand: Ortovox
 Teamdress Holding GmbH
 - brands: teamdress and De Berkel
 elkline GmbH - brand: Elkline

The Netherlands
 Zeeman textielSupers BV
 - brand: Zeeman

United Kingdom
 Montane Ltd. - brand: Montane



98 Workplace training sessions

Workplace Education Programme (WEP)
 WEP basic 71
 WEP communication 17
 WEP violence prevention 10



Social media

Facebook followers 13,678
 Instagram followers 6,510
 LinkedIn followers 5,946
 Twitter followers 5,065

Introduction

As we round off 2019, I can say on behalf of the Fair Wear Foundation Board that we are proud of the steps Fair Wear has taken in carving out a role as an authoritative voice on sustainability in the garment industry. Our research and expertise continue to grow, and in acting as a bridge between key industry players, we are in an opportune spot to facilitate change.

Our members remain dedicated to step-by-step improvements in factory working conditions, with almost 40% achieving 'leader' status in our 2019 Brand Performance Checks. By assessing and enhancing brands' business practices, supporting their suppliers in making factory-floor changes, and piloting innovative ideas, Fair Wear has ground-level access to supply chains. This allows us to collect data and experiences for new solutions—to see what works and what we can learn from—so we can scale this up with partners worldwide.

Besides industry efforts, adequate labour rights regulation is key to ensuring workers' rights are respected. In this fourth and penultimate year of the Strategic Partnership for Garment Supply Chain Transformation, we and our partners focused more on political engagement and collaboration.

Highlights include:

- Supporting our partners in Bangladesh, India, Indonesia, Myanmar, and Vietnam in promoting social dialogue and advocating better laws and regulations on workers' rights
- Successful lobbying in the Netherlands and in production countries for the adoption of an International Labour Organization convention on violence and harassment in the workplace;
- Showcasing several member brands' sustainability efforts and promoting labour code improvements at a fashion show in Vietnam, opened by the Dutch prime minister.

We've also found ways to spread our knowledge through new collaborations. For example, we have been working on developing a joint approach to complaints with the Dutch Agreement on Textiles and the German Partnership for Sustainable Textiles. We also launched a learning network on living wages to develop and expand our innovative tools like our Living Wage Calculators. As part of this, we are sharing our methodology with large investors through the Platform Living Wage Financials.

One of the most recurring labour violations we see in Fair Wear audits is on freedom of association and the right to collective bargaining. As we move into 2020, we recognise the need to emphasise this topic, giving workers more of a platform to advocate for their own rights. When workers can negotiate on their own behalf, they can proceed to make a stand against violations of labour rights and to improve their working conditions. But creating the conditions for healthy social dialogue will not happen overnight, which is why we continue to fight to bring all players on board. Only together, can we transform the industry.

Mark Held

Chair of the Board

Fair Wear Foundation

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Who we are

VISION

Fair Wear wants to see a world where workers in the garment industry see their rights to safe, dignified, and properly paid employment realised.

MISSION

Fair Wear is a movement for change. We help push the garment industry towards the new normal: a world where fashion is fair for the people who make our clothes.

At Fair Wear, we know there is a better way to make clothes. A fairer way. We want to see a world where the garment industry supports workers in realising their rights to safe, dignified, properly paid employment. Therefore, we focus on the most labour-intensive parts of the supply chain, to find answers to problems others think are unsolvable.

We partner with brands and support workers. We take practical steps and test new solutions to show that it is possible to make clothes in a fairer way. With other industry influencers including labour unions and labour rights NGOs, we push towards the new normal – creating change that goes far beyond our reach. Together, we are making fashion fair for everyone

THEORY OF CHANGE

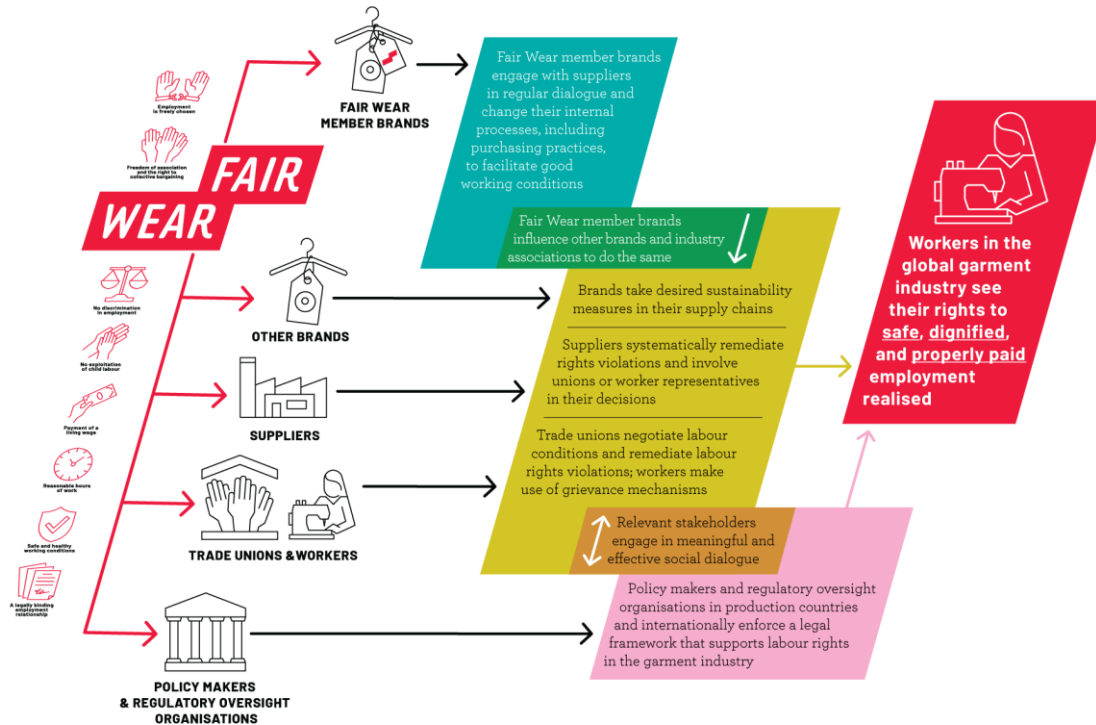
In 2019, we developed a new Theory of Change. Our activities over the past few years have expanded and evolved, especially in the field of lobby and advocacy and with respect to our work with the global garment industry at large. We needed a more encompassing frame to capture all our work and to ensure we remain aligned while working towards our objective.

As part of our 'supply chain approach', we believe that shared responsibility is vital to change in the garment industry and that the management decisions of clothing brands have an enormous influence on factory conditions.

[Social dialogue](#) is essential in creating sustainable change in the supply chain. In such dialogue, the key stakeholders are at the table to negotiate better working conditions. Social dialogue is successful

when trade unions systematically negotiate working conditions and monitor remediation and if workers are making use of (internal) grievance mechanisms. Fair Wear actively promotes this.

Fair Wear's Theory of Change



We recognise that changes are needed across five **actor groups**: Fair Wear member brands, other brands, suppliers, trade unions and workers, and policymakers. In our vision of success, these actor groups will create change as follows:

- **Trade unions** negotiate labour conditions and monitor remediation of labour rights violations;
- **Policymakers and regulatory oversight organisations** enable the effective enforcement of labour rights through complementary international, regional and national regulatory frameworks and legislation;
- **Fair Wear member brands** continuously improve their internal mechanisms and share their best practices;
- **Other brands**, particularly those that are members of platforms that encourage responsible business conduct, take responsibility for their full supply chain and cooperate towards systematic and effective prevention, mitigation and remediation of risks and violations of labour rights;

- **Suppliers** facilitate systematic and effective prevention, mitigation and remediation of risks and violations.

Once these changes are in place, we will be in a stronger place to achieve and sustain our goal: garment workers realising their right to safe, dignified, and properly paid employment. Alongside our Theory of Change, we developed a framework to monitor our work. This is in the process of being fully implemented.

GOVERNANCE

Fair Wear is a non-profit foundation registered in the Netherlands under the name ‘*Stichting Fair Wear Foundation*’. The aim of the foundation is to secure legal and human rights, working conditions, and terms of employment in the worldwide production chain of manufactured products worn, carried or used by persons in work and leisure activities and in the private sphere (in particular clothing, textile, footwear and interior textiles) and ensure that such products that are brought to the market are manufactured under legal and socially responsible conditions, at least at the level of the minimum standards of the International Labour Organization (ILO), as well as to undertake all that is connected to the foregoing or in furtherance thereof, all in the widest sense of the words.

Our highest decision-making body is the Fair Wear Board, which is made up of an independent chairperson and a maximum of eight board members. These eight members are selected from the garment retailers’ sector, the garment suppliers’ sector, trade unions and NGOs. Each of these categories having equal voting rights. In 2019, the board met four times to discuss strategic, sectoral and political developments and approve annual plans, budgets and reports.

In accordance with the statutes, executive powers are delegated to Fair Wear Executive Director Alexander Kohnstamm, who is responsible for the functioning of the organisation and represents the organisation internally and externally.

Fair Wear Board

Chairperson	Mark Held	
Business associations—apparel	Patric Hanselman	MODINT
	Femke den Hartog	InRetail

Trade unions	Catelene Passchier (vice-chair)	FNV
Non-governmental organisations	Miges Baumann (treasurer) Dominique Muller	Brot für Alle CCC

After many years of dedicated input, Evert de Boer from CCC retired. He has been replaced by Dominique Muller.

Since 2001, another component of Fair Wear's organisational structure has been the Fair Wear Committee of Experts. This committee advises the Fair Wear Board in both a solicited and unsolicited manner. Furthermore, the management team and other teams can ask the committee of experts for advice. Like the board, the committee consists of representatives of the four mentioned categories of organisations.¹

Fair Wear Committee of Experts

Employers' organisation for the garment retail sector	Jeroen van Dijken	VGT
Employers' organisation for the garment suppliers	Dirk Vinken Nienke Steen	FGHS MODINT
Trade unions	Jacob Plat Lieke Ruijschoot	FNV Bondgenoten CNV Internationaal
Non-governmental organisations (NGOs)	Christa de Bruin Eric van den Heede	CCC Belgian unions, CCC Belgium and Wereldsolidariteit

In 2019 Janneke Bosma was succeeded by Lieke Ruijschoot. The Fair Wear Committee of Experts met three times and attended a joint session with members of the Fair Wear Board.

¹ The members of Fair Wear's Committee of Experts are listed on Fair Wear's website via this [link](#).

The multi-stakeholder approach regarding the composition of the Fair Wear Board and the Committee of Experts brings together key stakeholders to discuss policy issues and define our strategy. This also helps improve equality between the different stakeholders and promotes transparency.

BRANDING

We have grown significantly over the past five years and so have our image and focus. After nine years, we created a new visual identity that better fits our diverse audiences and goals. In 2019, we worked with web developers Digital Natives and design studio buro Rust to create a visual identity that represents the unique characteristics that help Fair Wear push the global garment industry towards a new normal. The new branding, including a new logo, is minimalist, modern, and versatile, while the introduction of slanted shapes helps emphasise our forward momentum in the industry. This new identity is easier for our brands to integrate into their own marketing material and helps increase our brand visibility.

Our impact

FAIR WEAR MEMBER BRANDS

Country	Number of members
Austria	1
Belgium	10
Denmark	1
France	2
Germany	28
Italy	1
The Netherlands	19
Portugal	1
Sweden	7
Switzerland	8
United Kingdom	4

We reopened for new membership in 2018, and overwhelming interest led to an increase in membership during 2019. We welcomed nine new members, representing 12 brands, from Germany, Belgium, the United Kingdom and Denmark. (Some of our members have more than one brand.) Fair Wear closed out the year with 134 brands (82 members).

One of the main changes in 2019 was our shift towards a new information management system. Our information management team migrated all information about members, their suppliers, audits, training and complaints to Salesforce and built a Salesforce member access platform called Fairforce.

Fairforce is embedded in the members-only Member Hub, so members now have one place to find both general and supplier-specific information.

In the spring, we hosted five national member-stakeholder meetings, in Belgium, Germany, the Netherlands, Sweden, and Switzerland. These meetings covered topics like living wage, country information, the new audit system, and trained attending members on gender.

Another initiative this year was launching an in-depth analysis on excessive overtime: its causes and what brands can do to prevent and mitigate it. This resulted in an 'overtime tool', which will be developed and implemented in 2020. In line with the importance of living wage indicators in 2018's Brand Performance Check Guide, most member brands showed growing interest and development in the process of paying workers a living wage.

Brand Performance Check

The Brand Performance Check is the key element of our unique 'shared responsibility' approach to social compliance in the global garment industry. It is based on our belief that making sustainable changes in factories cannot happen without changing brand practices. During a Brand Performance Check, we investigate how our member brands' decisions impact the process of improving working conditions in their supply chains. We interview different company employees to look at how Fair Wear membership is embedded and how improving labour standards is integrated into core business practices. Member brands must demonstrate how they have resolved problems, how they take steps towards living wages, how they address worker complaints, and how they raise awareness and train factories on the Fair Wear Code of Labour Practices.

In 2019, we conducted 75 Brand Performance Checks. Member brands progressed on reducing excessive overtime, studying the correlation between labour costs and their buying prices, successfully resolving audit findings and organising training on social dialogue.

Consequently, we awarded 28 member brands 'Leader' status; 42 member brands 'Good' status, and four member brands the status 'Needs Improvement'. One member brand did not improve after a previous 'Needs Improvement' rating and had their membership suspended. The Performance Check reports are publicly available on our website and we share the results across our social media channels.

Member learning

In 2019, we published and shared a complete member learning calendar containing information on various learning opportunities and events. As part of this, we hosted around 30 webinars on a range of topics, reaching a total of 300 participants. In September, we organised a two-day orientation and member seminar, which was also attended by agents, intermediaries and new brands curious about Fair Wear membership. To improve alignment with our key stakeholders and facilitate exchanges and shared lessons among our member brands and stakeholders.

Brand Story: DAWN receives perfect score for first Brand Performance Check

German fashion brand DAWN denim, which joined Fair Wear in 2018, has become the first member brand to receive a perfect score of 100/100 in its first Brand Performance Check.

DAWN has a unique supply chain set up; its production takes place at its own factory and a laundry subcontractor in Vietnam. Of course, things become easier when you only have two factories to worry about and you have great leverage over those factories. However, this was a deliberate decision of DAWN, a brand that was founded for the purpose of proving that a truly sustainable denim brand was possible. It has enabled DAWN to test and analyse improvements that have a direct impact on the workforce. Therefore, they can set examples of innovative strategies that others in the industry can hopefully follow.

It is important to note that DAWN still has areas to work on. At the core of Fair Wear's Brand Performance Check methodology is the fact that there is a learning curve and there's always room for improvement. Fair Wear supports DAWN's ambition to improve by establishing effective social dialogue systems and to analyse its production planning in relation to reasonable working hours.

SUPPLIERS

We have analysed the audit data of 170 factories audited between April and December 2019.² We had previously audited 102 of these factories. The results indicate that member brands and factories made efforts to improve more than half of the issues found during previous audits. Most improvements were made on the following labour standards: employment is freely chosen, no child labour, no discrimination, legally binding employment relationship, and a safe and healthy working environment.

² We did not analyse all audited factories in 2019 because we moved to a new data management system (Salesforce). The old data are not currently available for analysis.

The least improved standards were payment of living wage, reasonable hours of work, and freedom of association and the right to collective bargaining. Most of the previously audited factories have developed policies to protect any juvenile workers. Age verification systems were established or improved. In a factory in Myanmar, where three child workers were found in 2017, the factory and member brand have taken responsibility to pay the children an amount equivalent to their monthly wage until their 18th birthdays.

Several forced-labour issues that were found previously have since been remediated. For example, certain factories used to withhold workers' documents or did not allow workers to leave the premises after working hours. Many factories have also eliminated discriminatory requirements in job recruitment ads and have formalised their performance appraisal systems. However, there were no significant changes in about half of the factories that lacked an anti-discrimination policy or system. One encouraging case was found at a factory where the number of female supervisors increased from zero to 25 within 14 months. Many factories also made improvements in formalising employment relationships with workers. They provided workers a copy of the contract and have been making corrections to terms of the contracts that were not in line with legal requirements.

Previous audits showed that 28 of these factories did not grant all their workers social security coverage. 2019 saw partial improvement in some factories. In three factories in Indonesia, Tunisia, and Vietnam, all workers received social security coverage. In China, 14 factories increased their coverage, while the other 11 factories did not make improvements.

On average, 70% of health and safety issues were remediated. Fire and electrical safety also improved. Remediation took place at two factories with building safety concerns. However, four out of five factories made little progress in obtaining a valid building certificate. Workers at seven factories had previously reported harassment and violence, such as bullying, verbal abuse, and physical violence. Four of these factories did not improve, while one made some improvement. Wage and excessive overtime issues are still very common; over 60% of the issues found in previous audits did not change.

Most factories where we found that wages were not meeting legal requirements did not make progress. Likewise, 90% of factories are no further towards living wages. Only 10% of the factories had reduced their overtime. At most factories with juvenile workers, these youth still worked the same excessive overtime as their adult co-workers. Many factories still provide falsified or

inconsistent records to auditors. In previous audits, 27 factories did not provide accurate or authentic records. Of those, 15 still did not improve their transparency in 2019.

Although issues regarding freedom of association are seldom remediated, we did see some anecdotal evidence of improvement. At around 30% of the factories that had a union but lacked Collective Bargaining Agreements (CBAs), workers and management had made improvements. At three factories, the CBAs were signed and most workers were aware of them. Despite constraints, workers at two factories in China were informed of the union and its function. The workers had elected representatives and organised communication sessions to discuss issues with management. In addition, two factories in Turkey and Myanmar elected union representatives.

In addition to checking factory compliance, our audits survey factory management on how our member brands have supported them. According to the management of audited factories, members made significant improvements in their monitoring systems, such as making sure the factories post the Code of Labour Practices and communicate the audit results to workers. In contrast, members made few improvements in their sourcing practices. Most factory management commented that members still do not sufficiently support the payment of living wages. At two factories, where wages have reached the next living wage benchmark, the management said that our member brands have made significant contributions.

Supplier seminars

We believe in the importance of giving suppliers a platform to come together to discuss obstacles they face in addressing factory working conditions and to learn more about our tools and how they can work with brands to improve the lives of their garment workers. In 2019, we conducted supplier seminars across our focal production countries. For details, see the country-specific highlights starting on page 31.

Country spotlight: Our first supplier seminar in Tunisia

On 10 October 2019, we hosted a supplier seminar on 'linking wages and prices' in Hammamet, Tunisia, the first of its kind since we started our activities there. The interest in the seminar exceeded our expectations: six brands representatives, 38 factory representatives, two GIZ representatives and two representatives of the Dutch embassy. We were privileged to have the Deputy Head of Mission at the Dutch embassy open this seminar with a talk on why sustainable production is important for business in the garment

industry.

Fair Wear Executive Director Alexander Kohnstamm introduced our organisation, while Fair Wear Verification Officer Koen Oosterom talked about living wages and the Labour Minute Value and Product Calculator tool for Tunisia. During the workshop, there was great interest in our tool but also many questions about sharing data and having a high level of transparency in price negotiations. Disclosing factories' internal data, such as direct and indirect costs and margin, will be a challenge for some factory management. However, the tool and the workshop were overall positively received.

Garment workers

Complaints

Since we started working in garment production countries, we have provided workers a channel to share their concerns and problems related to violations of our Code of Labour Practices. This became our complaints handling system, which acts as a safety net when a factory lacks an internal complaints mechanism. Our complaints system gives workers access to remedy and uses our member brands' leverage to realise improvements for workers.

Workers and their representatives can access our complaints system through a local helpline, by email, or via stakeholders. In all 11 countries where we are active, we have a local team to handle and remediate complaints. Some team members can speak to workers in various local languages.

In 2019, we received 102 new complaints, while 75 were still being followed up on from earlier years. We resolved or closed 90 complaints in 2019. Following an update to the Complaints Policy in 2018, we further improved efficiency and processes, including updating protocols and guidelines for complaints handlers and training complaints handlers on non-violent communication.

With the growing importance of the Organisation for Economic Cooperation and Development (OECD) guidelines, individual brands and organisations working with brands are considering their roles in providing an external grievance mechanism. We shared our expertise at several meetings and events, including:

- The industry dialogue on the National Action Plan in Berlin;
- Amfori's meeting in Cologne;
- A trade union conference in Brussels;
- A meeting of the Dutch Agreement on Food in The Hague;

- The German ministry in Cologne; and
- We co-hosted a meeting on grievance mechanisms with the Partnership for Sustainable Textiles and Human Rights Watch in Paris. In this meeting, several organisations with external grievance mechanisms shared their experiences and, together with stakeholders, explored opportunities for collaboration.

Following the meeting in Paris, we saw an opportunity to create guidance on grievance remediation in the garment industry through collaboration. In 2020, we will be further developing a conceptual joint complaints system with the Dutch Agreement on Textiles and the Partnership for Sustainable Textiles. We worked with the Impact Institute to analyse the financial side of handling complaints, with results expected in early 2020.

Story of change: Anti-Harassment Committee brings justice to a factory in Bangladesh

In July 2017, a distressing call came through to the Fair Wear helpline from a sewing operator working in a factory in Bangladesh. She was calling to complain about a production manager who had been frequently sexually harassing women workers. He would leverage his position of power to entice the women to sleep with him. He used vulgar, derogatory language towards them on the factory floor. The accused caught wind of the complaint and abused his authority to persuade management to transfer the sewing operator to another floor, where she was subsequently plied with extra work that she struggled to get done on time. She was also taunted by her new colleagues for having allegedly made mistakes on her previous floor.

The production manager had a history of harassing women workers, but his victims didn't dare to report him for fear of losing their jobs, which they relied on to care for themselves and their families. Management refused to act against him, thereby encouraging him to repeat these appalling offences again and again.

After receiving the helpline call, Fair Wear spoke to the factory's Anti-Harassment Committee (AHC), imploring them to investigate the accusations, discuss appropriate solutions and find ways to prevent reoccurrence. The AHC decided to raise the complaint to management on behalf of all workers, strongly urging them to punish the production manager and any others who commit abuses of this nature. The investigation report revealed several severe offences, and management had no choice but to dismiss those found guilty. Other supervisors and line-chiefs were given a stern warning and made to sign a document indicating they would not reoffend in the future. To proactively manage and prevent this behaviour, management took Fair Wear's advice and offered the workforce counselling and awareness training. After having learned about their rights and having seen justice in action, the factory's AHC and women workers can finally do their jobs in peace, knowing their voices are loud enough to be heard.

TRAINING AND CAPACITY BUILDING

In recent years, we have increased our focus on programmes and projects that have a preventative aspect, while also being sustainable and replicable. This is vital for influencing the industry.

Our Workplace Education Programme (WEP) addresses structural issues in global garment supply chains. We have three main training modules to equip workers and management with the tools to engage in constructive dialogue about problems and find adequate solutions. In garment factories, poor communication and a lack of awareness about workplace standards lie at the core of many problems. Even simple issues may go unaddressed, leading to worker dissatisfaction and low worker retention. Many factories get caught in an endless, costly cycle of recruitment, training, and resignations. Our WEP training aims to guide companies towards collaborative workplaces where issues are raised and resolved through open communication. The training programmes provide workers and managers with the tools to talk about problems and resolve disputes. We offer both general and country-specific training, and modules on issues like gender-based violence, which address specific country-based needs.

WEP Basic

The WEP Basic module introduces our Code of Labour Practices and complaints helpline. It is designed to help brands and factories take their first steps toward workplace awareness and complaints mechanisms and fulfil their basic responsibility to inform workers about their rights and access to complaints mechanisms. Management, supervisors and workers are trained in separate two-hour sessions. To meet our Brand Performance Check requirements, at least 10% of production workers must receive training. Depending on the size of the factory, this may require several training sessions. The module is available in Bulgaria, China, Indonesia, Macedonia, Myanmar, Romania, Tunisia, Turkey and Vietnam. In India, we offer the WEP Basic with an extra focus on gender inequality, harassment and discrimination. In 2019, we carried out 72 training sessions in eight countries. The largest number of sessions took place in China and Vietnam.

WEP Violence and Harassment Prevention

The WEP Violence and Harassment Prevention, which we run in both Bangladesh and India, entered its seventh year. With local training partners, we train workers, supervisors and management on combating gender-based violence and harassment and assist them in creating and sustaining workplace harassment committees (WHC). These committees hear grievances from workers who

have experienced or witnessed violence or harassment and work with factory management to resolve the cases.

The training programme takes place over several days. Management, supervisors and workers are trained separately. Once WHC members have been democratically elected, the members receive additional training. Our local training partners also lead six follow-up training sessions over approximately 18 months to ensure the WHCs are effective. In 2019, we began this training programme at nine new suppliers in India and Bangladesh and conducted 28 follow-up sessions with suppliers who had signed up previously. The programme has set up 93 workplace harassment committees.

WEP Communication Module

The WEP Communication module focuses on developing communication skills, collaborative problem-solving, and including workers voices. The goal is better worker-management interaction. Management is taught the benefit of collaborative approaches to solving workplace issues and how to positively handle worker concerns. Workers also learn how to constructively voice their concerns and how to represent the concerns of their colleagues when meeting with factory management. In total, the training programme is four and a half days, spanning 12-18 months.

While the training includes separate sessions for management and workers, the focus is on the dialogue sessions where management and workers come together to raise workplace issues, identify root causes and devise solutions. In 2017, with support from Brot für Alle, we developed a module for piloting in China. However, this had to switch to Indonesia, Myanmar and Vietnam (for more information, see the section 'Brot für Alle'). Following a regional training-of-the-trainers in June 2019, our local teams began to pilot an updated version of the module in Myanmar and Vietnam. We began to pilot the training programme at seven suppliers. By the end of 2019, we opened the training programme, and since then nine more suppliers have signed up, bringing the total number to 16 suppliers.

Story of change: A champion of workers' rights in an Indonesian factory

In June 2016, Indonesian garment worker Yumanna Sagala received devastating news. She was fired—without warning or clear justification. Without this job, her family would have trouble making ends meet. However, Yumanna had reason to be suspicious, and equally indignant. She had worked at this factory for 15 years. She'd run for deputy chair

of the trade union SPN and worked her way up to chairperson, becoming a vocal advocate for some 3,000 workers.

In 2016, when she ran for re-election, a false rumour spread that she was developing a CBA with management that would eliminate workers' 10-years-of-service awards. She lost the election. Suspecting management had circulated the rumour, Yumanna decided to sue. Management offered a promotion if she would drop the matter, but she refused.

She and several colleagues founded a new trade union. Soon afterward, Yumanna and the other 12 members of this union's management were terminated. Yumanna's case eventually reached us at Fair Wear. Our investigation pointed to signs of union busting, a violation of our Code of Labour Practices. This factory produces for Kjus, one of our member brands, but to help Kjus increase their bargaining power, we also reached out to another brand that sources there. Together with the two brands, we spoke to factory management and successfully persuaded them to rehire these workers. Yet in the months before they were rehired, these workers had struggled, and several went into severe debt.

Since 2017, management-worker relations have improved. Workers can join one of three unions at the factory. Yumanna currently leads the factory Garteks-SBSI branch. There have also been other improvements in working conditions, such as the conditions of toilets, while medical clinics, air-conditioned breastfeeding cubicles, and refrigerators have been introduced. Yumanna is turning her focus to the issue of sexual harassment, which she hopes to have incorporated into a new CBA.

INDUSTRY TRANSFORMATION

Non-member brands

While our member brands are frontrunners in sustainability, for lasting change to occur, we need as many brands on board as possible. Part of our role is to share best practices, tools, and guidance that encourage other brands to increase their corporate social responsibility efforts. This year, we did a major overhaul of our website, making it more attractive and accessible to newcomers in garment industry sustainability. We have published online toolkits on gender and living wage, plus our [Brand Performance Check Guide](#) and other guidance documents, for all brands to use. Some of our seminars and training sessions are also open to other brands. For example, we invite non-Fair Wear brands to certain supplier seminars in production countries and involved non-member brands in our brand awareness training on gender-based violence and living wage training (for more, see the sections 'Gender Equality and Inclusion' and 'Living Wage').

Industry partners

Over the course of 2019, we also aligned with other multi-stakeholder initiatives and responsible business platforms. Firstly, we increased our cooperation with like-minded organisations, such as Fair Labour Association, Ethical Trading Initiative, Ethical Trading Initiative Norway, Ethical Trading Initiative Denmark, the Dutch Agreement for Sustainable Garment and Textiles (AGT) and the German Partnership for Sustainable Textiles (PST) on topics that we find crucial for leading the garment industry to a new normal. These discussions have led to joint scoping on how these multi-stakeholder initiatives and their member brands could work together on a complaint and grievance mechanism. Secondly, the OECD welcomed us to their next round of OECD Alignment Assessments. This will help us show how we align with the OECD guidelines and to assess how we can improve our current policies and implementation. Thirdly, we compared our Brand Performance Check with the AGT assessment with the aim of learning from each other and reducing workload for 'dual members'. Further discussion on the implementation of alignment with the AGT will take place in 2020. Fourthly, as a request from many of our members, we are investigating the option to work together with the Social and Labor Convergence Program (SLCP). In 2019, we were given access to the first SLCP assessments to see how Fair Wear's audit system could align with the SLCP assessment. As we are waiting for more data, due to the phased roll-out of the SLCP framework to other countries, this discussion will continue into 2020.

We also presented our work at industry events like the ISPO Industry Roundtable, MaxTex, the Sustainable Apparel and Textiles Conference, the OECD Forum on Due Diligence in the Garment and Footwear Sector, several meetings and workshops with the Social and Labour Convergence Project, and the Sustainable Apparel Coalition. Furthermore, we actively contributed to several working groups and workshops of the Dutch Ministry of Foreign Affairs, Dutch Agreement on Sustainable Garments and Textile, and the German Partnership for Sustainable Textiles, and provided a training session on CSR and supply chains at the International Training Centre of the International Labour Organization.

Consumers

To increase our visibility and improve awareness of our approach, our staff participated in several public events, such as a social media campaign for Fashion Revolution Day, a pop-up store in the Hague for Black Friday (see section 'Strategic Partnership for Garment Supply Chain Transformation') and presenting at [TedX Leiden University](#). At TedX, Fair Wear Executive Director Alexander Kohnstamm spoke about the importance of 'caring about what you wear', encouraging consumers to consider all the people behind each item of clothing you own. Our consumer-facing work not only

increases our visibility, but it also stimulates non-member brands to become active in corporate social responsibility or even join Fair Wear. When consumers care, brands will act. In May, Fair Wear was an exhibitor at Copenhagen Fashion Summit's Innovation Forum, together with member brands Nudie Jeans and Suitsupply. The Innovation Forum offers sustainable solutions, which are designed to help small and large fashion businesses speed up or take their first steps on a sustainability journey.

Lobby and advocacy

It was an eventful year for Fair Wear in terms of political outreach, with several notable highlights. For example, we organised several exchange sessions with Dutch MPs and policymakers in the civil service on the labour rights situation in the garment industry and presented a joint manifesto on the International Labour Organization convention on violence and harassment to the parliamentary committee Social Affairs and Employment. During the events in the pop-up store around Black Friday, Minister Kaag of Foreign Trade and Development Cooperation as well as several members of parliament joined our events to learn about the situation in the garment industry and to share their experiences.

We also participated in a Dutch trade mission to Vietnam. Fair Wear met with Vietnamese civil servants, trade unions and NGOs to discuss opportunities and challenges in the Vietnamese garment industry. Several of our member brands took to the runway for a sustainable fashion show (for more, see the section 'The Strategic Partnership for Garment Supply Change Transformation') to show that fair fashion is possible.

In Germany, we provided feedback on the development of the 'Green Button' of the German Federal Ministry for Economic Development and Cooperation. The Green Button is a meta-label designed to help consumers buy more sustainable clothing. We support the need to provide better information to consumers and aim to help improve this initiative. We also cooperated with the PST on several themes in the industry, such as living wages and gender. We shared how we guide and assess our brands and shared guidance for brands and suppliers, through seminars and our open-source tools and guidance documents. Lastly, we also guided civil servants at state and municipality level on sustainable purchasing practices on an ad-hoc basis.

Since 2017, we have been part of the Emergency Response Group in which various organisations (Fair Wear, Ethical Trading Initiative, Fair Labor Association, Sustainable Apparel Coalition, Social Accountability International, and Worldwide Responsible Accredited Production) join hands to respond in a coordinated manner when urgent labour rights violations arise in garment production

countries. In 2019, members of the Response Group jointly expressed concerns to the Cambodian government on the labour and human rights situation in Cambodia and the risks of losing European and American trade.

Our partnerships

STRATEGIC PARTNERSHIP FOR GARMENT SUPPLY CHAIN

TRANSFORMATION

Since 2016, we have been in a partnership with the unions Mondiaal FNV and CNV Internationaal, with and funded by the Dutch Ministry of Foreign Affairs. This partnership, with its local partners in production countries, lobbied for laws and regulations that improve labour rights for garment workers in 2019. In several countries, including Bangladesh, Myanmar, and Vietnam, we contributed successfully to labour law revision processes.

After our lobby interventions, topics such as 'violence against women at the workplace' and 'freedom of association' were included in bills that were ultimately ratified. In India, we were part of a coalition that pushes for better enforcement of the existing legislation: The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act of 2013. A major lobbying milestone at the international level was the adoption at the ILO Convention on Eliminating Violence and Harassment in the World of Work (C190). See the section 'Gender Equality and Inclusion' for details.

The Strategic Partnership looks back at its third successful lobby week. A total of 32 people representing the Strategic Partnership in-country teams, our strategic partners and local consultants, as well as international staff, attended the workshop in Bangkok in March. The first two editions were focused on defining lobby and advocacy and how to conduct it. This round focused on improving knowledge on the Strategic Partnership themes and sharing good practices and lessons learned. Attendees learned more about lobbying on the focal Strategic Partnership themes and about experiences in other countries. An important outcome was pointing out good/best practices through the identification of needs in other countries (in terms of capacity building). Based on these findings, exchange visits and meetings were planned to further learn from one another. The lobby week participants reported feeling more positive, knowledgeable and motivated to continue their respective roles in the Strategic Partnership.

Over the course of the year, we demonstrated the Strategic Partnership's work to a large and diverse audience. In April, we organised a fashion show in Vietnam. This was part of a Dutch trade mission to Vietnam and took place in the middle of Hanoi. Vietnamese Prime Minister Nguyen Xuan Phuc and Dutch Prime Minister Mark Rutte attended the show. In opening the show, Rutte stated, 'We need to make sure all women and men who produce our clothes have a safe workplace and get wages that cover the actual cost of living'. Also during this trade mission, we contributed to a session on responsible business conduct (with a focus on Dutch business) attended by the trade mission delegates. We involved IDH – The Sustainable Trade Initiative, and our partner CNV Internationaal took an active role in preparing it. This trade mission strengthened the trading partnership between the Netherlands and Vietnam and resulted in increased exposure for Fair Wear and our work. It emphasised the importance of Dutch businesses engaging in responsible purchasing practices and thinking consciously about the people who make our clothes.

In November, the Strategic Partnership partners organised a Black Friday pop-up store in The Hague, together with 12 of our member brands. For two days, politicians, consumers, and other interested audiences could come and learn about garment supply chains, the people behind our clothes, and the sustainable solutions we provide. Sigrid Kaag, Minister for Foreign Trade and Development Cooperation, spoke at the event, which was also attended by several other MPs. Through their presence and significant (online) media coverage, our 'Black Friday? Fair Friday!' message reached a wide audience and made them more conscious about garment industry working conditions. It was especially a great opportunity to showcase our work and the urgent need for industry change to political stakeholders.

Gender equality and inclusion

In 2019, we focused on providing guidance to our member brands on how to prevent and address gender-based labour violations in their supply chains. We supported our partners in their lobby and advocacy goals for the proposed International Labour Organization standard on violence and harassment against women and men in the world of work and delivered the Workplace Education Programme 'Violence and harassment prevention' module in India and Bangladesh.

Brand awareness training

Together with the International Training Centre of the International Labour Organization, we hosted a series of workshops for member brands and European stakeholders on addressing gender-based violence in garment supply chains. This was a half-day session for brands as well as NGOs and MSIs

hosted in five countries—Belgium, Germany, the Netherlands, Sweden and Switzerland – followed by a full-day workshop in The Hague.

The session provided a starting point for all participants on the topic of gender, including economic empowerment, gender discrimination, and gender-based violence, and highlighted their role in addressing these topics. It included national and international frameworks that protect women and men in the workplace. The full-day workshop built on these topics, discussing specific issues and developing approaches brands could take in applying a gender lens to their supply chains.

Gender toolkit

During the inception phase of the Brand Awareness Training, many of the member brands requested specific tools to assist them in gender-mapping their supply chain, identifying gender-related risks, entering into dialogue with their colleagues and their suppliers about gender, and implementing gender-specific programmes. In response, we created the gender toolkit, available on the Fair Wear Member Hub, our online platform for our members. It guides our member brands through the process and provides them with practical tools – either developed by us, or by other organisations – to prevent and address gender-related labour violations.

International Labour Organization Convention

When the International Labour Conference convened in 2018, one of its tripartite committees discussed a potential new International Labour Organization instrument on violence and harassment against women and men in the world of work. In June 2019, the International Labour Conference voted to adopt this new convention, Convention 190. The Strategic Partnership lobby work with CNV Internationaal and Mondiaal FNV, has contributed in several ways to this historic treaty. We participated in several lobbying efforts, including organising a joint Strategic Partnership letter on the convention, which we presented to the Dutch parliamentary committee ‘Social Affairs and Employment’. We informed member brands about the proposed convention at the Brand Awareness Training sessions, encouraging them to lobby their business associations and provide support to our local teams in lobbying their governments. Since the approval of Convention 190, we have been working with our partners to advocate for its ratification and implementation in production countries.

Research on violence and harassment

A participatory research study was conducted between May 2018 and June 2019. By drawing on interviews with 763 women garment workers and seven focus group discussions with garment workers in three Vietnamese provinces, the study uncovered high levels of violence and harassment.

The findings provided important evidence of the issues that women garment workers are facing and pointed to areas where clothing brands and suppliers, along with Vietnamese stakeholders (including government, employers, trade unions, factories and NGOs) can affect positive changes in their operations. The full research report is not yet public due to prevailing political sensitivities, we are still committed to publish it.

Even though we have not launched the full report yet, we have managed to have a big impact on the public debate around violence and harassment. The findings were used for lobby and advocacy activities and eventually served as entry points for many discussions with key stakeholders in Vietnam. In October 2019, key findings of the research were presented in a supplier seminar, co-hosted by the Vietnam Chamber of Commerce and Industry (VCCI). Factory managers were urged to take action as soon as possible. Some suppliers have since reported taking prompt action by reviewing their systems and implementing changes to better prevent and address violence and harassment.

Living wage

Living wage learning network

In 2019 we launched Fair Wear's living wage learning network. The network helps to increase the impact of our living wage work by creating internal and external advocates. This year, six of our employees from different teams managed the discussion on living wages with their unique constituencies, such as members, factories, stakeholders and the general public. The learning network provided a space for information sharing, collecting feedback and any other needs to help guide the discussion on living wage.

Members

In 2017, we started the **Fair Wear Living Wage Incubator** – a safe space for member brands to experiment with ways to work on living wages. In January 2019, eight member brands attended our fifth meeting to focus on tailor-made support and peer-to-peer learning. Afterwards, these brands received clear follow-up steps to take, which we monitored this year. Five of those eight showed progress over the year. Two member brands extended their living wage activities to additional facilities and three made progress in the incubator projects they had started. The remaining member brands either had problems with the production location (wage records did not match), or a change of staff that affected the living wage projects. In addition to the incubator, we also hosted a webinar

to provide support and guidance to other member brands on costing; we posted resources on our Member Hub, and organised living wage training after the member seminar in September.

Factories

Our research has explored ways in which the labour cost can be isolated and fixed in commercial dealings, enabling suppliers and brands to increase the legal minimum wage or to apply a higher wage benchmark. Through a transparent costing and price-setting process, suppliers can ensure the labour costs they incur are covered in the price negotiations with their buyers. For buyers, insight into the cost of wages is crucial to their human rights' due diligence to ensure that the prices they pay are sufficient to cover the impact of a wage increase in a manufacturer's labour cost.

Building on this research, we developed a tool that enables factories to determine their labour-minute cost and its increase when the legal minimum wage changes or a living wage estimate is applied. This tool helps manufacturers who are considering offering garments priced at a living wage or at a wage level agreed upon during a collective bargaining agreement. Similarly, it can assist buyers in determining the extra cost to meet their Code of Labour Practice commitments on living wage. With the support of ASN Bank, we were able to extend our focus beyond the countries covered by the Strategic Partnership. Consequently, we could create and test this tool for a total of eleven production countries. Initial testing in Bangladesh has shown that the tools are highly accurate and are useful for both suppliers and brands.

Sharing our expertise with the broader industry

Besides our work with our member brands and their production locations, we also actively share our knowledge and tools with other organisations. We provided several workshops on labour-minute costing to brands affiliated to the Dutch AGT and the German PST. We have shared our approach with the Platform Living Wage Financials, through a factsheet focused on due diligence on costing and by presenting our approach at their annual conference. We published a joint statement with ACT, outlining our expertise and cooperation and in which ACT explicitly endorses our labour-minute costing methodology and tools.

ACT promotes living wage labour & product costing tools

In 2019 we published a joint statement with ACT who successfully adopted and endorsed our labour-minute costing methodology and tools to work collaboratively towards living wages for garment workers. Through sharing the labour-minute costing methodology, we offer ACT member brands and their suppliers a tool to calculate and cover the costs of a

higher wage. Our expertise and resources to increase workers' wages are intended for wider use in the global garment industry. We are looking forward to intensifying our partnership with ACT and efforts to set an example in order to create a new normal in the garment industry where workers are paid a living wage.

Social dialogue

In 2019, we focused on deepening our understanding of the global challenges that impede meaningful social dialogue and developing tools to support our members and key stakeholders in overcoming these. We lobbied for developing improved government policies on freedom of association and collective bargaining, such as in Vietnam for the revised labour law, and continued to drive and support efforts on ensuring these rights are respected, such as by participating in the National Committee for the Freedom of Association Protocol in Indonesia. We shared and collaborated with initiatives like the Global Deal, ILO Better Work, and other MSIs to combine knowledge and align approaches. 2019 was a year of investing in resources and research on how to best support social dialogue, which will lay the foundation for our work in the years to come.

Collaboration with Cornell University's New Conversation Project

Since 2018, and in collaboration with Mondiaal FNV and CNV Internationaal, we have partnered with The New Conversations Project based out of Cornell University, a global leader in industrial relations. The project aims to identify the main barriers to impactful social dialogue in garment supply chains and proposes innovative solutions to be tested. In 2019, meetings and convenings with over 40 industry stakeholder organisations took place to identify the challenges in implementing social dialogue. The 'Listening Phase Report' was subsequently released in August, which outlined the lessons learned per stakeholder group, and identified the key research questions needing further investigation. Following this, research was launched in 10 main garment production countries (Bangladesh, Bulgaria, Cambodia, Ethiopia, Honduras, India, Indonesia, Mexico, Myanmar, Vietnam), using a network of country-based researchers, to answer these key questions. The reports, plus a comparative synthesis report will be launched in early 2020, paving the way for recommendations on how to address the challenges. The project will conclude in 2020 with a proposal on the way forward for social dialogue in the garment industry.

Brand and supplier learning

We continued to work with our member brands and suppliers in 2019 to increase their knowledge on and capacity to support social dialogue. In April, we joined forces with the Ethical Trading Initiative to hold a session on 'Engaging worker representation in China'. The session brought experts and brands

together to discuss how to best ensure worker engagement in a challenging context, and to share promising practices. The session resulted in recommended actions for brands to take which could lead to increased engagement of worker representatives and workplace dialogue. In November, we held a supplier seminar in India on social dialogue, inviting brands and their suppliers from Fair Wear, ETI, the Dutch AGT and the German PST to participate in an open and honest discussion about the challenges they face. By providing knowledge on what social dialogue is and how to engage, as well as hearing from suppliers and unions who have successfully collaborated in India, suppliers left feeling 'more open' to engaging with unions and workers.

To better support our member brands, we also increased the training and capacity of our own staff on the topics of freedom of association and collective bargaining through multiple training sessions plus an internal 'training guide'.

The above research, training and collaborations, along with other projects, such as an analysis of our complaints received on freedom of association, and lessons learned from social dialogue initiatives in Myanmar and Indonesia, are being collected and used as the basis for our updated Freedom of Association Policy and Approach, to be launched in 2020. Alongside these policies, extensive guidance for brands on how to support social dialogue and ensure the rights of freedom of association and collective bargaining in their supply chains, will be released in mid-2020.

ASN BANK

In 2018, we partnered with ASN Bank on living wage implementation. During the first year, the main activities revolved around the launch of 'Platform Living Wage Financials', and subsequent relationship building between our two organisations. In 2019, we published a factsheet on due diligence on costing. We also continue to strengthen and test our living wage methodology and tools during several audits and with different member brands. We updated a more in-depth living wage policy that resulted in a [publication to outline our approach to living wages](#), providing more resources on the topic. Specifically, the living wage policy provides more guidance on living wage estimates, which was included in the revised **Wage Ladder**, launched in December.

GIZ

Our collaboration with the German Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ) started in December 2018 and will end mid-2020. The project focuses on access to remedy and living

wage in five of our production countries: China, India, Romania, Tunisia, and Turkey. Key activities in 2019 included complaints handling and the development of the **labour-minute costing tools** (see also the section Living Wage under the Strategic Partnership) for these countries, the organisation of local supplier training on these tools and our costing methodology. 469 suppliers participated in this training.

The project pays close attention to our collaboration with the German PST and their member brands. In April 2019, 35 PST brand representatives attended training on our living wage approach in Cologne. Their suppliers participated in the supplier seminars in the five focal countries and will be invited again in 2020. The GIZ funding especially supported the local teams in remediating complaints and conducting wage verification audits. We plan to use the wage data gathered through these audits to write a publication on labour costs in specific products in 2020. During the final six months of the project, we will continue to share our approach on wages with a broad audience in both production countries and Europe, through training, meetings and webinars. We aim to intensify collaboration with the PST on complaints and access to remedy.

1% FUND

Between September 2016 and December 2019, we implemented a project to protect the rights of Syrian refugee workers in the Turkish garment industry with support from the 1% Fund of the Dutch Ministry of Foreign Affairs. We provided evidence on labour rights violations faced by Syrian refugees and developed models to remediate identified issues.

We offered member brands sourcing from Turkey guidance on addressing possible risks as part of their due diligence and remediation processes. An important event was the learning seminar 'Sourcing responsibly in Turkey: How to do due diligence on Turkey specific risks organised for Fair Wear and AGT member brands'. More than 90 brand representatives participated.

Turkish suppliers were informed about the rights of Syrian refugee workers and the possibilities to employ them legally. While it had been possible for Syrian refugees to obtain work permits since 2016, the process has been bureaucratic and hard to navigate. The project was a great opportunity to gather evidence about the obstacles faced by suppliers and brands in their efforts to employ Syrian refugee workers legally. With this evidence, we advocated in close collaboration with other stakeholders for legislative revisions of the process that ease the burden on local suppliers and on refugees, for example, by raising awareness on making work permits valid beyond the city of initial

registration, facilitating access to private banks to prevent off-the-book payment, and waiving the fee for the work permit. The conference 'The Labour Market Adaptation of Foreigners under Temporary Protection in Turkey: Challenges and Opportunities' that was held on 7 November by Fair Labour Association with our support in Istanbul illustrated the collaboration with other likeminded organisations. There were keynote speakers from the International Organization for Migration and the International Labour Organization. We also supported the report 'Syrian workers in Turkey's garment Industry: Looking back, moving forward', published by the Clean Clothes Campaign Turkey. This research was based on the assumption that any attempt to improve refugees' working conditions has to build on an in-depth understanding of the challenges and aspirations of refugee workers themselves, so refugee interviews formed an important part of this.

BROT FÜR ALLE

In 2016 and 2017 we created a new Fair Wear Workplace Education Programme module, 'WEP Communication', together with ERI, a Hong Kong-based training developer. We believe that, if provided with additional in-depth training, there is a high chance that a few factories could emerge as models for improved worker-manager dialogue. At that time, the new module was developed with the idea was to pilot it in China, beginning in 2017. This formed the basis for the initial partnership with Brot für Alle, for which Fair Wear received financial support. The original partnership had four key focus areas:

- Training-of-the-trainers session;
- Pilot versions of the WEP Communication module at three Chinese suppliers;
- Stakeholder engagement; and
- Complaints handling.

However, due to shifts in the Chinese political situation, we decided to indefinitely postpone the implementation of the programme in China. Since we were unable to go forward with the pilot version in China, Brot für Alle agreed to extend the project and shift the 'WEP Communication' pilot project to Indonesia, Myanmar and Vietnam in a co-funding structure with the Dutch Ministry of Foreign Affairs. This was with the hope that a pilot project in China might be possible later. Under the new plan, the 'WEP Communication' module was adapted to suit the local context of Indonesia, Myanmar and Vietnam, including expanding the module, which now runs for 18 months. In 2019, we began to pilot the training programme at 7 suppliers. Several more brands and their suppliers have joined the post-pilot phase, bringing the total number to 16 suppliers.

In addition, with the support of Brot für Alle and the Strategic Partnership, we commissioned an external evaluation of the Workplace Education Programme Basic module, as well as our complaints system. The aim of the 'WEP Basic' is to increase awareness of the workers and management of our Code of Labour Practice and local labour laws and to facilitate workers to file complaints regarding working conditions (either through internal or Fair Wear-provided grievance systems. The evaluation of the 'WEP Basic' training and the current complaints system aimed to grasp the lessons learned from the last few years of implementing the WEP Basic. This extensive study has laid the groundwork for us to take the next steps with the WEP Basic.

Country-specific highlights

COUNTRY ACTIVITIES AT A GLANCE³

	Fair Wear members sourcing	Factories supplying members	Verification audits	Monitoring audits	WEP basic training	WEP comm.	WEP violence prevention	Complaints received	Complaints Resolved/closed
Bangladesh	20	222	4	8	0	0	5	16	9
Bulgaria	17	46	1	3	2	0	0	0	0
China	63	878	23	38	30	0	0	12	15
India	39	230	15	11	4	0	5	30	17
Indonesia	9	21	2	1	0	0	0	4	6
Myanmar	14	23	5	4	1	6	0	14	20
North Macedonia	12	46	3	8	0	0	0	5	2
Romania	20	54	5	8	0	0	0	2	2
Tunisia	25	71	5	9	8	0	0	1	2
Turkey	45	259	6	12	13	3	0	2	2
Vietnam	32	133	13	12	13	8	0	16	15
Total	N/A	1,983	82	114	71	17	10	102	90

BANGLADESH

Our audits and complaints system confirmed that the most common labour violations in Bangladesh are related to low wages, forced excessive overtime, no freedom of association, poor social dialogue, and harassment. Complaints were often related to dismissals and not paying the correct compensation (including service benefits).

From December 2018, Bangladesh set a new legal minimum wage, which distinguishes between seven grade levels with the lowest grade set at BDT 8,000, up by 51% compared to the previous minimum set in 2013. The new minimum wage is much lower than what garment workers in

³ This data was extracted from our data management system, Salesforce, in March 2020. There may be slight discrepancies in numbers if some data from 2019 is still pending upload.

Bangladesh demanded. Furthermore, downward price pressure by brands, which is (partly) rooted in the lack of a transparent costing/pricing processes, has complicated factories' ability to implement the new minimum wage, let alone a living wage. Several factories have reported that brands have not adjusted their prices following the wage increase, which exacerbated pressure on factories and working conditions and has led to several factory bankruptcies. In January 2019, many textile workers organised spontaneous strikes to ensure that the higher grades would also receive a reasonable increased minimum wage level. Although the government agreed to adjust the higher grades as well, more than 10,000 workers were fired in the event.

The continued implementation of the Bangladesh Accord on 'Fire and Building Safety' was jeopardised due to a restraining order on it after a factory filed a lawsuit against its termination of sourcing for Accord members. The court ordered the BGMEA and Accord Secretariat to come to an agreement and postponed a decision several times. An agreement was finally reached in May. All operations, infrastructure and staff of the 2018 Transition Accord and Accord Bangladesh office should be handed over to a new national RMG safety entity called the RMG Sustainability Council (RSC) by May 2020. The BGMEA, brands and global and national unions are now working out the practical details related to the establishment and functioning of the RSC, including funding, decision-making structure and how to engage with brands.

In 2019, we continued to develop and disseminate our work on labour-minute costing. We organised a joint supplier seminar for Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) member factories. There were 80 participants, including roughly 50 factories connected to Fair Wear and BKMEA. In addition, BKMEA agreed to use the tool to research the cost breakdown of different products, making the increase in product price required to cover the increased minimum wage and living wage transparent. In November, we participated in a roundtable meeting on purchasing practices, including living wages, organised by the Dutch Embassy. We were also on the panel of the Sustainable Apparel Forum on purchasing practices. Lastly, we organised a second supplier seminar on labour-minute costing for approximately 180 participants, including approximately 100 AGT and PST suppliers, as well as members of the Buying Houses Association.

We also continued to focus on the implementation and dissemination of our Workplace Education Programme Violence and Harassment Prevention Programme. We have also been active in disseminating the successful anti-harassment committee model and have supported capacity building and replication to other organisations, i.e. SNV Netherlands Development Organisation, Bangladesh Centre for Worker Solidarity, and one of our larger member brands.

The SP-supported Gender Platform, which combined local partner organisations of both Fair Wear and Mondiaal FNV, continued its efforts towards the adoption of dedicated legislation on the Prevention of Sexual Harassment at the Workplace. Following the submission of the bill to the Minister of Law, Justice and Parliamentary Affairs and Minister of Labour and Employment, the Gender Platform has sought support among MPs, relevant line ministries (Ministry of Women and Children Affairs and Ministry of Land), as well as employers. This is ultimately expected to lead to the formal approval and enactment of the law in 2020.

CHINA

Although China remains the biggest production country for our members, there is a shift in orders from China to Bangladesh, Cambodia, Ethiopia, and Myanmar due to lower operational and labour costs. Most raw materials are still produced in China. Due to the few stakeholders and shrinking space in China, limited lobbying can be done, and we have to rely more on our member brands to take action.

As in previous years, audits from 2019 show insufficient wage payment and excessive overtime. Most Chinese factories pay workers a piece rate that does not take overtime hours into account. Factories lack an effective wage comparison system to ensure workers can secure the legal minimum wage and overtime premiums through the gross piece wage. This wage comparison system is also one of the focal points when training management in the Workplace Education Programme. Generally, factories are still far from paying living wages and workers sometimes receive less than minimum wage. A supplier seminar was organised to promote better buying practices, so labour costs can be satisfactorily covered in cost price negotiations. During the seminar, we worked on identifying practical solutions. There were 37 participants, three of which were brands.

In addition, there is a lack of effective internal grievance mechanisms and freely elected worker representatives. We organised a seminar in Amsterdam with the Ethical Trading Initiatives and brands on how to engage on worker representation in China. The seminar gave recommendations on steps for creating an enabling environment, operational tips, and dos and don'ts.

Despite more workers joining the social security system, workers lack sufficient social protection. Some are reluctant to register, and factories do not pay all social security or insurance fees. A new law

came into force demanding full payment of social insurance, but this is only partially implemented.

In 2019, we organised 30 WEP Basic training sessions in China. However, it remained difficult to convince factory management to enrol enough workers in the training, because of interruptions to work. Workers show interest in the training topics, although talking about freedom of association and inspiring participants to seek better work conditions through dialogue remain sensitive.

In 2019 we received 12 admissible complaints. They involved insufficient or unclear payment or salary delays, not paying the remaining months' salary for resignations, (factories want to retain their workforce because of labour shortages), excessive overtime hours, forced resignation without payment of salary and poor food.

Eastern Europe

The garment industry is an important export branch in Romania, North Macedonia and Bulgaria. As Eastern Europe's garment sector grows, garment factories with unattractive working conditions face an ageing, insufficiently skilled workforce. In 2019, the legal minimum wage in all three countries increased, most significantly in North Macedonia which increased for the third time in two years, an increase of 65% since September 2017. This past year, employers' associations recognised extended brand requirements on labour standard compliance but factories still struggle to meet compliance regulations and its higher social standard. This development is construed as an extra financial burden and suppliers believe brands should revisit their price levels to match legal wage increases.

Our audits in Eastern European countries show that low wages, unpaid overtime, unpaid holidays and fire safety concerns continue to be the most prominent rights violations. The factories are still far from paying living wages and sometimes do not even pay minimum wage. A high degree of hostility towards union activity and a widespread lack of trust between factories and unions remains a critical issue.

Sourcing practices could also be significantly improved. In June 2019, we organised a regional supplier seminar with member brands and suppliers to discuss how to build effective and fairer sourcing practices with a focus on living wages. The Dutch AGT and the German PST and their suppliers also had access to this seminar. In total 38 participants attended.

The complaints helplines in Eastern Europe received seven admissible complaints, five in North Macedonia and two in Romania. The complaints reported unpaid overtime, harassment, and unfair

dismissal. We supported brands in remediating these. The growing number of helpline calls shows trust in our complaints mechanism, but also a lack of effective social dialogue among workers.

In 2019, we sustained our relationships with local stakeholders in all three countries. The Dutch ambassador to North Macedonia was a guest speaker for the regional supplier seminar. We participated in consultations with trade unions, NGOs and local research organisations that are working with labour policies from Romania and Bulgaria and participated on two panel discussions on good practices in improving labour conditions in North Macedonia.

We also worked on increasing the audit teams' capacity and quality of work by organising a regional exchange of auditors from Eastern Europe. Eastern European audit team supervisors were part of the our global auditor training in March. This helped increase consistency in data collection and presentation and improved the quality of audit reports.

The Bulgaria country study was revised and most numerical data updated. The study will be published in 2020.

INDIA

India had a general election in spring 2019, with the right-wing government retaining power. The space crunch for civil society is palpable but we have been successfully finding ways for lobby and advocacy through organisations that influence the government like the Self Employed Women's Association (SEWA), Jaagori, the International Labour Organization, and UN Women. We updated the [India Country Study](#) in June. The main labour violations in India are workers not receiving binding contracts and non-payment of a living wage. We conducted Workplace Education Programme training in factories and a supplier seminar on labour-minute costing (20 participants). Since the South Indian industry sees a lot of migrant workers, especially from Eastern state of Orissa, we added a sixth language –Oriya – to our complaint helpline. This contributes towards Sustainable Development Goal 17, revitalising the global partnership for sustainable development.

The International Training Centre of the International Labour Organization organised a learning event on 'Tackling violence and harassment in the world of work: Developing a policy'. We facilitated a session on complaints procedures and investigations. The session was attended by 42 participants from Congo, Burundi, Argentina, Ecuador, Myanmar, Colombia and elsewhere. Our India country manager was invited to speak on a panel on non-judicial grievance mechanisms at the Asia Human

Rights Forum in Seoul, South Korea. Around 50 participants from across Asia attended this event which was organised by Office of High Commission of Human Rights (OHCHR). Our complaint mechanism was highly appreciated with excellent feedback from OHCHR. In November, we organised a supplier seminar on social dialogue, in which a factory manager and a local union representative shared their positive experiences. The seminar was attended by 35 suppliers of Fair Wear, AGT, and Ethical Trading Initiative member brands. It was the first time we held a dedicated supplier seminar on social dialogue.

Together with Good Weave International, we received funds through RVO, a Dutch government agency operating under the auspices of the Ministry of Economic Affairs and Climate Policy. The project addresses child labour in the supply chain. Under this project, we plan to work with several member brands sourcing from North India.

INDONESIA

The Indonesian garment industry continues to expand, but challenges remain due to the drop in value of the rupiah. This has led to higher costs for raw materials and fierce competition from Bangladesh, Cambodia, and Vietnam. Factories are relocating to regions with lower wages and automation. Gender-based violence and a lack of effective cooperation between trade unions remains a challenge.

However, gender-based violence is getting increasing attention. The efforts of the Indonesian Gender Network Platform (GNP), an alliance of organisations that work together to fight for women's rights which we facilitate, have been key in this. To further strengthen the network, we hired a lobby and advocacy specialist, who helped improve political and media relationships to get the GNP's message across. Consequently, the National Commission on Violence against Women (Komnas Perempuan) focused more on gender-based violence at the workplace. The GNP advocated and lobbied for the implementation of International Labour Organization Convention 190 and to get a law against sexual harassment (RUU PKS) adopted before the 2019 elections, although the latter has yet to be adopted.

Bringing key players together in Indonesia to devise solutions for the garment industry remains an important strategy. As an observer to the FoA Protocol, we developed an agenda for change to help improve the hampered dialogue between brands and trade unions. We actively engaged the parties to discuss improvements and to bring them to an agreement. Although the National Committee did

decide on how to prepare and facilitate the meetings, there is disagreement among the preparation committee. Topics such as representation and monitoring and evaluation remain undecided.

Furthermore, we held seminars on labour-minute costing for brands and suppliers and a separate one with trade unions to help bridge the gap in the dialogue on wages. Brands and suppliers learned how the cost of labour can be made a point of no-discussion in price negotiations, while trade unions got better insight in how brands and suppliers negotiate prices.

The Roundtable on homeworkers that took place in March resulted in CNV partner Garteks agreeing with leading organisation Trade Union Rights Centre to help homeworkers and actively support the lobby towards the government on a law protecting homeworkers. We also actively cooperate with one of our members, implementing labour-minute costing at its suppliers that use homeworkers to study and improve the wage system for homeworkers.

The most common issues found in the 2019 audits were related to safe and healthy working conditions, payment of a living wage, freedom of association, and a legally binding employment relationship. In 2019, two regional supplier seminars were held in Jakarta and Solo to discuss compliance and remediation.

We also trained trade unions and NGOs on the use of our complaints mechanism. The five complaints in 2019 dealt with no discrimination, safe and healthy working conditions, freedom of association, legally binding employment relationships and harassment. Four complaints reached a clear outcome, three of which were closed and one was fully remediated.

MYANMAR

Based on audits and complaints, the most common labour violations in Myanmar are related to low wages, excessive and forced overtime, child labour, and freedom of association and lack of a constructive and healthy dialogue between workers and management.

The Rohingya crisis is also affecting the economic prospects of Myanmar since the European Union has started an investigation that puts duty free access to the European Union at stake. Possible sanctions would severely impact the industry and employment opportunities.

In May 2018, a new minimum wage of MMK 4,800 per day was introduced, a 33% increase. Despite some initial delay, factories are generally adhering to the minimum wage. Still, many workers complain that their cost of living has risen substantially, that overtime is often cut, and workers miss out on bonuses when production targets are unrealistic. At the heart of this lies the issue that free-on-board prices paid by the brands have not risen sufficiently. We organised a joint supplier seminar in July 2019 to address this with the Myanmar Garment Manufacturers Association member factories, as well as suppliers of the Dutch AGT and the German PST.

To build capacity for dialogue, we expanded the implementation of our Workplace Education Programme Communications module in factories that supply our member brands. In November, we held a supplier seminar on child labour, in which we shared best practices for setting a more robust age verification system at factories, one of the root causes of child labour. There were 28 participants, including 21 factories from AGT and PST brands.

Our latest report from 2019 [‘Workplace social dialogue in Myanmar: experiences and lessons learned’](#), uses our case studies to reflect on the current situation of social dialogue in Myanmar, both in legal and practical terms.

We also successfully lobbied with partner organisations to include sexual harassment as part of workplace health and safety in the draft Myanmar OSH law. This included several meetings with individual MPs and committees before the Union Parliament passed the bill. We contributed our lessons learned to the report ‘Experiences of a collaborative advocacy initiative on sexual harassment in Myanmar’s garment sector’.

TUNISIA

The political situation in Tunisia in 2019 was challenging but stable. President Beji Caid Essebsi died in July, leading to the October election of Kais Saied, who campaigned against corruption and appealed to young voter .

We mainly monitored labour rights in Tunisia through our core activities: conducting audits, Workplace Education Programme training and complaint handling. In comparison to 2018, the number of active factories has grown by almost 20%, mostly due to brands looking for production locations for smaller quantities of higher-quality products made close to Europe.

Our audit findings reveal that some past issues, like short-term contracts and payment of a living wage have been difficult to tackle. Further measures and more time are needed. The most common issue is the prevalence of short-term contracts (usually three to four months, sometimes shorter). A worker's contract length is important for financial security, being able to apply for loans and peace of mind. Tunisian law states that workers should receive permanent contracts after four years of employment. However, there are several ways companies work around this. We encourage our members to discuss such practices with their suppliers and establish mutual trust and transparency as part of their relationship. We also received one complaint related to legally binding contract termination. With our guidance, the member brand and the factory management resolved this.

Another common audit finding is failure to pay a living wage. Although the minimum wage increased by 6.5% in May 2019, currency depreciation and inflation, workers view this increase as insufficient. Payment of living wages is a sensitive issue connected to brands' sourcing practices. To bring our member brands and factory management together, we organised a supplier seminar on purchasing practices in October, with 48 participants. (For more information, see page 13.) We shared our expertise and introduced our living wage tools and methodology. Throughout the year, we also engaged with other stakeholders, such as the Tunisian Association of Democratic Women (on gender); GLZ Tunisia (on living wage) and the International Labour Organization.

TURKEY

Turkey's competitiveness in the global garment industry relies largely on an informal sector that has allowed garment exporters to react more flexibly to market demands and deliver with relatively short lead times. Subcontracting to smaller units is considered an integral part of the Turkish production model. It is estimated that up to 80% of workers in these factories operate outside labour, health, and financial regulation. For many of the Syrian refugees who fled to Turkey, the Turkish garment-textile industry is a source of income. These large number of undocumented Syrian refugees are vulnerable to exploitation. (For more on Syrian refugees, see the section on the 1% Fund.)

Through our audits, we look into the supply chains of member brands with a lot of focus on unauthorised subcontracting. We support brands to improve through due diligence by organising conferences like the brand learning seminar 'Sourcing responsibly in Turkey, how to do due diligence on Turkey-specific risks'. We provide resources such as guidance documents for brands. In addition, we have conducted more than 16 training sessions for workers and management about our Code of

Labour Practices and the grievance mechanisms for workers, as well as on factory dialogue and migrant refugee training.

Due to the tamed civil society in Turkey, we have to assess the risks for our local team when we address more politically sensitive issues like the exploitation of Syrian refugee workers and the rise of child labour in Turkey.

VIETNAM

Our factory audits and the complaints helpline demonstrated that the main labour rights issues in Vietnam are related to wages, excessive overtime, and resignation/termination procedures. Most factories were able to meet the increase in minimum wage levels; however, implementing steps towards living wages remains challenging. Excessive overtime continues to be one of the most prominent rights violations. This varies from workers exceeding the legal limit of overtime hours, working during breaks, continuing work after working hours without payment and time recording, and working on Sundays. In some cases, workers found it impossible to refuse overtime.

We were particularly concerned with the fact that factory unions are largely dependent on management and incapable of independently representing workers in negotiations with employers. Social dialogue is encouraged by law but has not been effectively practiced due to lack of capacity, trust, and awareness. Most complaints coming in were from workers who were unable to lawfully resign. Factory management often rejected the resignation letter and/or would not pay the severance benefit or social insurance payment.

2019 was a remarkable year for Vietnam, with an extensive revision of its labour law, the ratification of International Labour Organization Convention 98, and a push for approval of the free trade agreement with the E.U. Although the progress is positive, there is also a need for more independent monitoring and effective guidance on implementing the new legislation. Moreover, the pressure on Vietnam to demonstrate change and sign the free trade agreement created a complex political climate for addressing sensitive topics such as violence and harassment.

We engaged in advocacy efforts regarding the labour code revision, participating in a consultation workshop with the Vietnam Ministry of Labour and submitting written recommendations to the government on the draft labour code. Four recommendations were fully accepted and three partially accepted when the revised labour code was adopted in November.

Within the framework of the Strategic Partnership, we continued to address these issues by supporting factories and brands in setting up effective social dialogue systems. We draw from lessons from our trade union partner CNV in support of the project to set up Multi-Company Collective Bargaining Agreements between a group of factories and social partners.

Another highlight was the visit of a high-level Strategic Partnership delegation in April, with a series of events with the Dutch embassy that showcased our work. A fashion show on a public square in Hanoi in the presence of both the Dutch and Vietnamese prime ministers literally put a spotlight on the importance of our work. This presented challenges in terms of sharing findings from our violence and harassment research, but also showed the importance of working on this topic. We hosted a successful roundtable on living wages in collaboration with the Vietnam Centre for Development and Integration (CDI). With key contributions from the Vietnam General Confederation of Labour and the National Wage Council, Fair Wear presented its living wage approach and labour costing methodology which gained wide interest from stakeholders as well local Vietnamese media.

Social report

Fair Wear aims to be an employer that provides good social and other working conditions for staff members. This section of this annual report contains a comprehensive summary of those working conditions. It confirms our commitment to transparency in our relationship with our staff and other stakeholders. An overview of Fair Wear's achievements and areas for improvement contributes to the organisation's further development and innovation.

The following pages cover the following topics:

- Staff structure and composition;
- Remuneration;
- Social security and pension schemes;
- HR regulations;
- Training and education budget;
- Health and safety;
- Integrity policy and conflict resolution.



Alexander Kohnstamm

Executive Director

Fair Wear Foundation

STAFF STRUCTURE AND COMPOSITION

Self-steering teams

Our organisational structure is based on the concept of self-steering teams. This means that every team member and every team operates as autonomously as possible. The team can install

committees, discuss cases, and integrate peer-to-peer learning.

Team members are collectively responsible for the team's operations. This does not mean every member needs to know everything another member is doing or that every member must do everything by themselves. Rather, content (expertise), merit, and a getting things-done approach are important drivers for the decision-making in each team.

A staff member's and a team's autonomy are not absolute. There are management priorities, frameworks and guidelines to which to adhere. These are meant to channel processes efficiently and effectively and to ensure that all Fair Wear's activities are aligned with our Theory of Change, strategy, and organisational goals.

Worker delegation

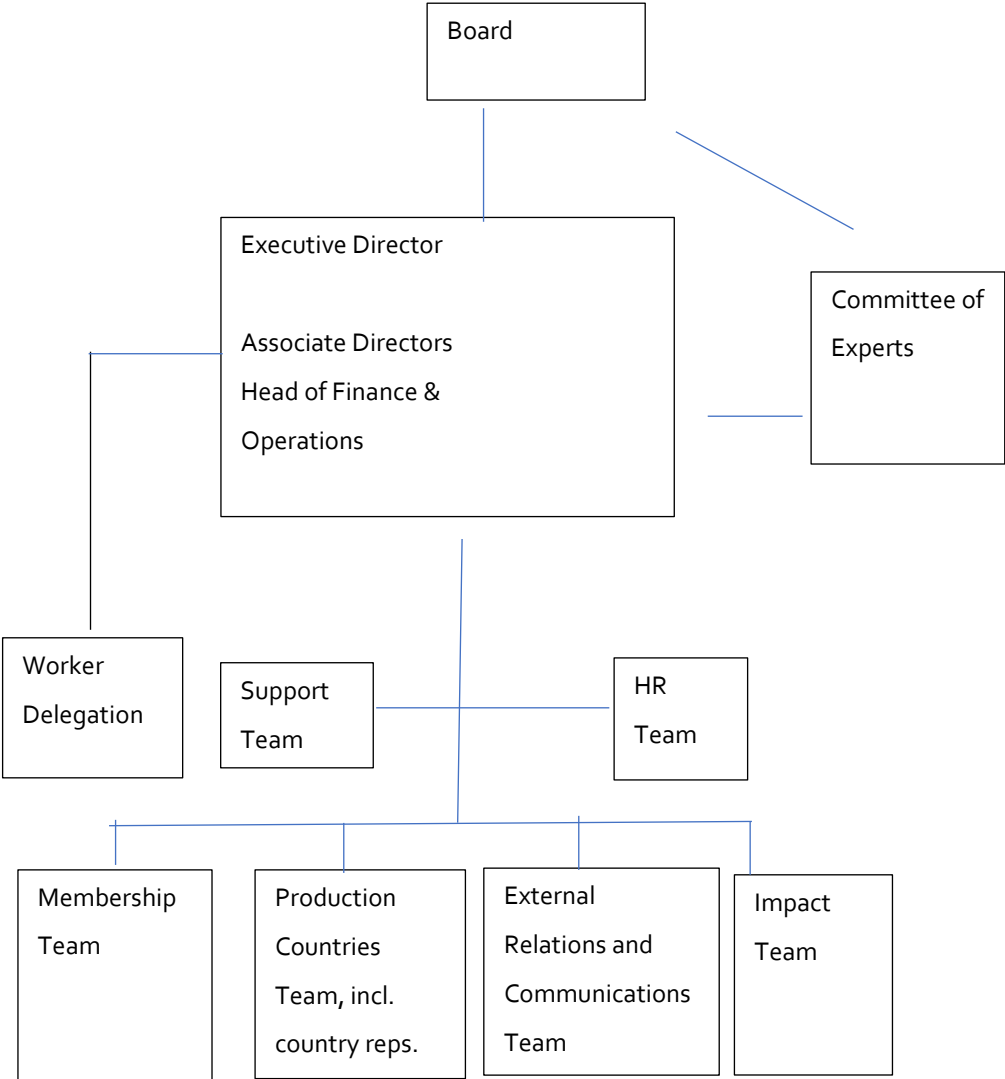
The Fair Wear worker delegation was installed in 2016. It comprises three members. The worker delegation elects a chairperson, while the other two members act as deputy chairpersons. The membership term is three years. The worker delegation represents all staff members except the executive director.

The worker delegation acts in accordance with Dutch civil law on '*personeelsvertegenwoordiging*', although in practice our executive director has awarded it an advisory role like that of a worker council (*ondernemingsraad*). The executive director and the worker delegation meet monthly. The executive director is always accompanied by the management coordinator and the management adviser, and other members of the management team join depending on the topics discussed. The worker delegation prepares an agenda and drafts the minutes. Recent discussions focused on roles and responsibilities, workload, and Fair Wear's HR regulations.

Once a year, the worker delegation has a meeting with the Fair Wear Board in or around September. During this year's meeting, topics of discussion included Fair Wear's strategy, the board's performance review of the executive director and the planning of activities with a focus on workload. If deemed necessary, the worker delegation can also contact the board intermediately, and vice versa. This can only take place after informing the executive director.

ORGANISATIONAL STRUCTURE

In conjunction with the explanation of self-steering teams above, our organisational structure can be illustrated as follows:



Quantitative data

Number of staff working at Fair Wear

	2019		
	Female	Male	Total
Headcount on 31 Dec	39	9	48
FTE	33.7	8.7	42.3
Average part-time factor	86%	97%	88%

Staff turnover

	2019	
	In	Out
	15	11
Turnover ratio	0.24	

Turnover ratio = (Number of staff members at the beginning of a period + number of staff members at the end of that period, divided by two) divided by the number of staff members that left Fair Wear.

Breakdown of staff by team and gender

	2019		
	Female/FTE	Male/FTE	Total number/FTE
Management Team	4/3.9	1/1.0	5/4.9
Membership Team	15/8.9	2/1.3	17/10.2
Production Countries Team	10/7.5	2/1.9	12/9.4
External Relations and Communications Team	8/7.0	1/0.8	9/7.8
Impact Team	8/6.5	2/2	10/8.5
Support Team	2/1.8	2/1.1	4/2.9
HR Team	2/1.6	1/0.5	3/2.1
FTE	37.2	8.6	45.8

One FTE is the equivalent of 36 working hours per week. The FTE-related numbers are the result of rounding. Staff members can be in more than one team, which is why the totals differ from previous tables.

Breakdown of staff by age

Age group	Headcount on 31 December 2019
20-30	9
30-40	20
40-50	12
50-60	6
60-70	1
Average age	39 years

Breakdown of staff by permanent and non-permanent contracts

Total	Permanent (%)	Non-permanent
48 per 31 Dec.	46%	54%

Number of nationalities

Apart from the Dutch nationality, staff members with a total of 12 other nationalities are working at Fair Wear as of 31 December 2019.

REMUNERATION

The total expenditure for salaries and allowances in 2019 was €2,169,627.24, the total amount paid for basic salaries was 20.2% more than in 2018. This increase was mainly caused by an increase in staff/FTE (+7.2 FTE) and an increase in salaries in January (3%) and June (2%) following government base scale increases.

In 2019, the average fulltime gross salary was € 4,458.40 (median), the top 10% (90th percentile) was €6,350.42 on average and the bottom 10% (10th percentile) €3,030.26. The ratio between the 90th and the 10th percentiles is therefore 2.10.

PENSION SCHEMES

We offer an 'available premium pension' (*beschikbare premie regeling*) via Zwitserleven.

In the table below you can see the premium per age group. Every staff member pays a bit of that percentage: 3% is paid by the staff, and the remainder by Fair Wear. For example, a 25-year-old invests 3% and Fair Wear invests 10.2%.

Age group	Percentage
21-24 years old	12.00%
25-29 years old	13.20%
30-34 years old	14.60%
35-39 years old	16.20%
40-44 years old	17.90%
45-49 years old	19.70%
50-54 years old	21.90%
55-59 years old	24.50%
60-64 years old	27.50%
65 years and older	29.80%

This pension scheme includes retirement pension (*ouderdompensioen*) and partner's and orphans' pension (*partner en wezen pensioen*). Staff members can freely choose the method of investments by Zwitserleven via their own portal.

HR REGULATIONS

Since September, we have had an HR team. This team focuses on increasing our organisational effectiveness and strengthening staff members' individual professional development through:

- Providing individual and team coaching and training, individual and team advising and mediation;
- Supporting individual supervisors in their role of advising supervisee training, development and case-management; and
- Contributing to the recruitment and selection procedure of new staff and their onboarding;

All HR team members can act as adviser and mediator if requested by colleagues.

In 2019, we renewed our progress review procedure. Every staff member now has *the option* of asking a maximum of two other people for feedback on their performance. The responses are then used as input during the progress review with the individual supervisor. This feedback can be provided by staff members and/or country representatives.

Drafting a safety and security framework for international travel was another focus. This framework is designed in collaboration with the Centre for Safety and Development situated in Amersfoort, the Netherlands.

Fair Wear's Safety and Security Framework consists of five parts:

■ *Part 1. Safety and security policy*

The Safety and Security Policy describes Fair Wear's approach to safety and security and sets out general rules and principles for security management.

■ *Part 2. Safety and security management*

The safety and security management is the implementation of the policy. This section describes the process of safety and security risk management, the responsibilities (including travel preparations and risk assessment) of both Fair Wear and the members and the security levels to be used as travel guidance and for risk assessment. It should inform staff members so they can take an active role in reducing risks.

■ *Part 3. Safety and security guidelines*

The safety and security guidelines provide practical tips and tools and dos and don'ts for the traveller. Reading the safety and security guidelines carefully enhances security awareness, mitigates risks, and offers hands-on tools for what to do and not to do in certain situations.

■ *Part 4. Crisis management plan*

The crisis management plan describes responsibilities, procedures and guidelines to resolve a crisis.

■ *Part 5. Training protocol*

The objective of the guidelines for security training is to clarify which training courses must be followed or are advised to be followed before work travel to specific countries or regions.

Inspired by Partos' Guide on Integrity, we have drafted a new 'Integrity Policy Framework'. In conjunction with this, we reviewed our anti-corruption guidelines. For more details, see the section 'Integrity'.

Finally, we introduced an extended leave regulation. Extended leave consists of all extra-legal paid leave hours a staff member is entitled to at the beginning of the extended leave, and unpaid leave for the remainder of the extended leave. The staff member can also decide to use legal paid hours and public holiday hours at the beginning of the extended leave.

An extended leave is at least three consecutive months and not more than six. Staff members are entitled to three consecutive months after three years of employment. Each additional year of employment entitles them to take off one more month. An extended leave period will cover the total number of a staff member's contractual hours.

TRAINING AND EDUCATION BUDGET

Our training and education budget contains two parts, the Fair Wear educational budget and the budget for staff members' personal use. The educational budget for the personal use of staff members can apply when in addition to educational needs at the organisational level, staff members want to improve their personal and professional skills. Then, the staff member and Fair Wear should clearly profit.

Each year the Management Team decides on the total education budget and the division between Fair Wear as the employer's budget and the budget reserved for requests from staff members.

In 2019, the training and education budget was €30,000. This is 1.3% of the 2019 total budgeted amount of gross salaries. Half of this was intended for staff members' personal use. Of the Fair Wear education organisational budget, 44% was spent, mainly on in-company team training. The main topic was preferred collaboration styles and team dynamics. Also, we focused on an exploration of roles and responsibilities in several teams. All staff attended a session on awareness of safety and health risks during international trips. Regarding the budget for staff members' personal use, 44.6 % was spent. Staff members had Dutch lessons or received coaching.

The use of the personal education budget is still insufficient. Setting other priorities with a view to staff members' workload is still the main reason individuals do not take the opportunity to improve their personal and professional skills.

STAFF HEALTH AND SAFETY

Staff health

The illness rate in 2019 was 6.68% (compared to 6.53% in 2018). The illness rate is calculated by ArboNed, as mentioned in their yearly reports. We received 79 absence notifications, with an average frequency of 2.24 times per year. Ten employees had three or more absence notifications. This includes reintegration days, where for example someone is 'partially' sick. In these charts, these are counted as full sick days.

Number of sick days	2018	2019
0 days	29.41%	40.68%
0 - 5 days	31.37%	25.42%
5 - 10 days	17.65%	13.56%
10 - 15 days	7.84%	1.69%
15 - 30 days	3.92%	6.78%
More than 30 days	1.96%	1.69%
Long-term illness	7.84%	10.17%

Frequency of illness	2018	2019
0 times	33.33%	42.37%
1 time	31.37%	22.03%
2 times	15.69%	18.64%
3 times	13.73%	8.47%
4 times	1.96%	0.00%
More than 4 times	3.92%	8.47%

A small difference occurs between frequency and sick days due to the overhaul of long-term illness over the years, and since reintegration counts as a full sick day.

A special feature of Fair Wear's office culture is the lunch. Almost every staff member pays a monthly fee for this. Fair Wear pays the other half of the budget that is thus generated. Based on the staff members' wishes, food (preferably organic) is bought and served. All staff members join lunch at 12.30.

All our office chairs and most of the desks can be adjusted in accordance with the needs of the staff member who uses them. In 2019, we added an ergonomically sound desk bicycle to the office for fitness purposes.

Staff can also exercise at the Basic Fit location in the World Fashion Centre, provided they compensate their absence by working other hours.

No work-related incidents took place at the Fair Wear office or outside the office in 2019.

Safety and security

As part of the implementation of the Safety and Security Framework, an awareness session took place in November. During this, a consultant working for the Centre for Safety and Development provided information and pointed out the importance of risk assessment and anticipatory measures. In addition, a 'travel details and approval form' has been introduced. Staff who travel are required to fill this in and get management approval prior to a trip. In December, a Crisis Management Team was appointed.

No accidents happened during international business trips in 2019.

INTEGRITY

New regulations

As stated above, a new integrity policy framework, inspired by Partos' Guide on Integrity, was drafted in 2019. In conjunction with this, we reviewed our anti-corruption guidelines. In comparison to the previous guidelines, the Fair Wear Integrity Policy Framework contains a more elaborate code of conduct and describes the moral learning process and compliance practice. Furthermore, the appointment of both an internal person of trust and an integrity officer next to the confidential staff adviser has improved our approach towards integrity.

The Anti-Corruption Guidelines are linked to our Integrity Policy Framework. Hence, the complaints office consists of the reporting system alongside the presence of the internal person of trust.

Active measures to prevent fraud and combat corruption

Payments

All payments are made by members of the Support Team. Internal checks are part of the financial procedures at the Fair Wear office. In addition, an external accountant assesses the financial accounts on a yearly basis.

Preventing corruption around auditing

Next to a general anti-corruption policy, there are several measures/strategies that we apply to prevent corruption around auditing.

- As there is no 'pass or fail' in a Fair Wear audit, audit outcomes are not meant to dictate whether a brand should continue production or find another location. Moreover, the outcomes of an audit and the need for remediation are a joint responsibility of the factory and brand. Hence, there is less of an incentive for factories to bribe auditors. Member brands are required to support the factory in remediation. It is a shared responsibility.
- We always use a team of three for an audit, with each team member having a different background in terms of expertise. At least two members do not work for a brand sourcing at the factory. The team members cross-check their findings throughout the entire audit. Such a practice makes it more difficult for factory management to bribe a group of different individuals. In some cases, the offsite worker interviewer does not participate in the onsite audit. Therefore, information the offsite worker interviewer provides cannot be altered even if the factory tries to bribe auditors onsite. During the exit meeting, the whole team is present;
- The country manager and/or country representatives regularly observe audit teams;
- There is a quality check of the audit report before it is finalised (by either another auditor or country representative).

In addition, audit team supervisors and audit team members are obliged to inform us of any relevant communication between them and the audited factory taking place 18 months prior and 18 months following the audit. Also, they shall not take on any work for this factory or its holding company without first consulting us.

Raising and maintaining integrity awareness

In 2019, we focused on integrity-related topics in several ways:

- One Thursday afternoon per month (except in August), a team session takes place. During these sessions, we share team updates and discuss a specific topic. This discussion take place in a playful, inspiring way, regularly with the support of an internal and/or external speaker. All staff members are required to attend.
 - In December's team session, we had a kick-off session of an internal process that will complement the existing code of conduct. The current code of conduct is phrased to inform staff what is *not* accepted. The outcome of this internal process is a description of values and behaviours that deserve to be stimulated and copied.
 - In 2020, a survey will also be part of this process.
- During consistency meetings of both brand liaisons and country managers, sections of the integrity policy were discussed.
- Country managers discussed aspects of integrity with local teams, particularly with the country representatives, during their regular visits to production countries.
- Anti-corruption guidelines were part of the contract for service providers. These guidelines were also regularly assessed.
- Anti-corruption guidelines were part of the auditors' manual. We have assessed and updated this manual as necessary.

Individual guidance and support

At Fair Wear, each staff member has an individual supervisor whom they can ask for guidance and support, in case, for example, of work-related problems among staff members. The management adviser/HR officer is also available for advice and mediation.

In 2019, staff members asked individual supervisors and members of the HR team for advice several times. Topics included ways to address workload/work pressure and communication styles, as well as the accessibility of management.

In these cases, the staff member, his or her individual supervisor, and/or a member of the HR team jointly explored the source(s) of tension and found ways to reduce or address this. Also, one member of the HR Team offered mediation between staff with a different preferred communication style, with a focus on agreed rules of behaviour.

Part of our office culture is the reality that several staff members seek support from their peers, members of the HR team, and individual supervisors. In these cases, there was no escalation of tension or reporting of incidents. Yet, workload and work pressure still require special attention.

Reports of complaints related to staff members

There have been no reports (or suspicions) of integrity violations by staff members.

Reports of complaints related to service providers and consultants

Twice a year on average, auditors will inform the country representative that they were offered money by a member of a factory's management and that they refused to accept the offer.

There was one complaint from a non-member brand saying that an auditor in China did not give a completely independent audit report. We investigated this internally but found no clear evidence to support the claim and ultimately closed the case. We also cross-checked the audit report findings and confirmed that they still stand.

Financial results 2019

INTRODUCTION

Fair Wear's financial income of €6.9 million (2018 €6.3 million) primarily consists of contributions of grants and subsidies of €5.3 million (2018 €4.9 million) based on committed projects. In addition, our member brands almost contributed €1 million (2018 €0.9 million). The total expenses for our goals amounted to €6.7 million, which led to a result of €161.273. The complete annual report can be found later in this report.

INCOME FROM GRANTS AND SUBSIDIES

In 2016 Fair Wear entered into a partnership with the Dutch Ministry of Foreign Affairs called the Strategic Partnership for Garment Supply Chain Transformation. This programme is being implemented through a consortium that consists of: Fair Wear (lead), Mondiaal FNV, and CNV Internationaal. The contract amount is €32,000,000 for the period from 2016-2020. In 2019, the midterm review was finalised and discussed with the Ministry. The amounts spent by the two partner organisations are not included in the Fair Wear annual accounts.

Just before the end of 2018, we also received funding for 2019-2020 from GIZ for complaints handling and our living wage activities in China, Eastern Europe, Turkey, and Tunisia for €315,000. In 2019 €220,000 was spent on this project according to plan.

Since 2018 we also have received direct funding from the ASN Bank for our living wage projects. For 2018 and 2019, ASN in total granted €330,345, of which €213,030 was spent in 2019.

The project for the development and re-design of the WEP communication module was finalised in 2019 with funding from Brot für Alle and amounted to €48,516 in 2019; including previous years, the project amounted to a total of €79,000.

EXPENSES

Following the organisation's self-steering team structure, we have adapted the presentation of the external costs in the same manner. The comparative figures of 2018 have also been adjusted to the new structure. This did not lead to adjustments in the total costs.

The Impact Team spent k€ 801 of the budget of k€ 845. The underspending is mainly the result of partly postponing the development of the new PMEL methodology in Salesforce to 2020 (k€ 34) and fewer expenses under the coordination costs of the partnership (k€ 16).

The Production Country Team spent k€ 1.389 on the budget of k€ 1.377. The overspending consists of relatively small differences in the in-country expenditures (k€ 1.085 spent of the budget of k€ 1.058). The effects of inflation and the currency exchange rates differ per country and are not predictable. The costs for complaints handling are also difficult to predict (k€ 60 is spent of a budget of k€ 67).

The External Relations and Communications Team spent k€ 390 on the budget of k€ 404. The underspending is mainly the result of postponing the dissemination of the results of the new ToC of Fair Wear to 2020 (k€ 40) The implementation of the new website had a small overrun on the budget (k€ 17 on the total budget of k€138).

The Membership Team spent k€ 98 of the budget of k€ 140. The underspending is mainly the result of understaffing in 2019 compared to intended staff level. Before the end of 2019, two additional staff members were hired to fill the gap.

The Management Team spent k€ 71 of the budget of k€ 77. The costs were mainly spent on the development of the cooperation with other MSIs and NGOs in production countries.

The office costs, including board costs and the general working organisation, amount to € 300,000 (2018 €257,000). The increase is primarily related to the increase in staff but was well below budgeted amounts for 2019.

APPROPRIATIONS OF THE RESULT

To appropriate the balance of income and expenses for 2019, the board decided to allocate the positive balance of 2019 of €161,273 to the continuity reserve while at the same time accepting that the budget for 2020 will probably be withdrawing reserves for up to a maximum of €320,000.

AUDIT

Fair wear has an external auditor, Mr Jeroen Mattens, who audits the financial statements. These 2019 financial statements were discussed with the auditor in April 2020. The audit opinion is added to the financial report, which starts after this financial statement.

OUTLOOK ON THE 2020 FINANCIAL YEAR

Financial diversification is a mid-term strategic priority for Fair Wear, and 2020 will contribute to that through fundraising and new member acquisition. 2020 is in many aspects a transitional year. The summary of the budget for 2020 can be found in the other information attached to the financial report.

The current Strategic Partnership runs from the beginning of 2016 to the end of 2020. It provides Fair Wear with an average of 3.8 million euros per year, both for creating evidence on how to do business better as well as for using and enabling the use of this evidence towards policymakers, industry and industry influencers. For 2020, the renewal of the Strategic Partnership will be the priority, but we will look into other resources as well. In mid-2020, we will evaluate which activities can still realistically be implemented in the remainder of the year, taking both available budget and time into consideration.

Personnel costs include social securities, pension costs, health insurance, training and education and other personnel costs. The total number of staff will be stable around 41.5 FTE in the first six months. In anticipation of the final decision of the Ministry, a working group consisting of management, HR, legal and finance staff has developed different scenarios and budgets for 2021 -2025.

The support and overhead costs are budgeted at the same level as in 2019. The Management Team and the Support Team have reviewed the expenses carefully for inefficiencies and possible budget cuts, but most of the support costs like the office rent and depreciation are fixed. Investments will as much as possible be postponed until the second half of 2020.



Financial report 2019

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Balance sheet 31 December 2019

(after appropriation of the result)

	December 31, 2019		December 31, 2018	
	€	€	€	€
FIXED ASSETS				
Tangible fixed assets (B1)				
Inventory		38,070		56,836
Computers		<u>26,198</u>		<u>43,239</u>
			64,268	100,075
Financial fixed assets (B2)				
Subsidiary			1	1
CURRENT ASSETS				
Receivables (B3)				
Debtors		201,321		187,211
Taxes (VAT)		54,965		107,170
Subsidies and contributions		106,315		33,279
Other receivables		<u>79,557</u>		<u>94,507</u>
			442,158	422,167
Liquid assets (B4)				
			1,828,337	2,326,753
		<u>2,334,764</u>		<u>2,848,996</u>
EQUITY				
Reserves (B5)				
Continuity reserve		657,318		433,284
Result		<u>161,311</u>		<u>224,034</u>
			818,629	657,318
LIABILITIES				
Current liabilities (B6)				
Creditors		201,242		513,270
Subsidies received in advance		920,295		1,368,710
Taxes		91,054		69,473
Accruals and deferred income		<u>303,544</u>		<u>240,225</u>
			1,516,135	2,191,678
		<u>2,334,764</u>		<u>2,848,996</u>

Statement of Income and Expenditure 2019

		Budget 2019	Actual 2019	Actual 2018
		€	€	€
INCOME				
Contributions member companies	(S1)	985,000	1,043,260	902,288
Support member companies		115,000	112,203	89,166
Audits on behalf of affiliates		360,000	340,034	361,087
Subsidies	(S2)	5,642,850	5,346,821	4,955,414
Other income		15,000	9,201	4,956
Total income		<u>7,117,850</u>	<u>6,851,519</u>	<u>6,312,911</u>
EXPENDITURE				
Personnel costs	(S3)	3,403,126	3,221,436	2,616,580
Office and administration costs	(S4)	340,000	300,746	257,335
Depreciation	(S5)	53,250	48,933	53,257
Total organisational costs		<u>3,796,376</u>	<u>3,571,115</u>	<u>2,927,172</u>
Impact team	(S6)	845,340	801,717	810,355
Production country team	(S6)	1,377,477	1,389,208	1,368,111
External Relations and Communication	(S6)	404,050	390,944	550,672
Membership team	(S6)	140,200	98,799	80,190
Management team	(S6)	77,000	71,352	42,229
Total costs teams		<u>2,844,067</u>	<u>2,752,020</u>	<u>2,851,557</u>
Costs audits on behalf of members	(S7)	320,000	286,488	251,986
Costs other paid services to members	(S7)	60,000	80,585	59,111
Total expenditure members		<u>380,000</u>	<u>367,073</u>	<u>311,097</u>
Total expenditure		<u>7,020,443</u>	<u>6,690,208</u>	<u>6,089,826</u>
OPERATING RESULT		97,407	161,311	223,085
Interest		-	-	949
RESULT		<u>97,407</u>	<u>161,311</u>	<u>224,034</u>
Appropriation of the balance of income and expenses				
Addition to the continuity reserve			<u>161,311</u>	<u>224,034</u>

Cash flow statements 2019

	2019		2018	
	€	€	€	€
CASH FLOW FROM OPERATIONS				
Operational result		161,311		223,085
<i>Adjustments for:</i>				
Depreciation		48,933		53,257
Mutation current receivables	-19,991		35,237	
Mutation current liabilities	<u>-675,543</u>		<u>-1,090,690</u>	
		<u>-695,534</u>		<u>-1,055,453</u>
		-485,290		-779,111
Interest		0		949
		<u>-485,290</u>		<u>-778,162</u>
CASH FLOW FROM INVESTMENTS				
Investment in subsidiary		0		-1
Investments in tangible fixed assets	<u>-13,126</u>		<u>-47,325</u>	
		-13,126		-47,326
CASH FLOW				
		<u><u>-498,416</u></u>		<u><u>-825,488</u></u>
Cash as of December 31		1,828,337		2,326,753
Cash as of January 1		<u>2,326,753</u>		<u>3,152,242</u>
Mutation liquid assets		<u><u>-498,416</u></u>		<u><u>-825,489</u></u>

Accounting principles

GENERAL ACCOUNTING PRINCIPLES

The financial statements have been prepared in accordance with the 'Guideline for Non-Profit Organisations' [DAS 640], as published under the responsibility of the Dutch Accounting Standards Board. The accounting principles proceed from measurement at nominal value, unless a different principle is stated. The reporting period comprises the financial year from 1 January up to and including 31 December 2019, the comparative figures relate to the year 2018.

There have been no changes in accounting policies compared to the preceding year.

Transactions denominated in foreign currencies conducted during the reporting period are recognised in the annual accounts at the rate of exchange on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into euros at the rate of exchange ruling at the balance sheet date.

The accounting principles are based on historical cost. Unless otherwise indicated, assets and liabilities are reported at face value. The income and expense items are attributed to the period to which they relate, based on historical cost. Losses are recognised as soon as they are identified. Income is recognised when it is realised.

ACCOUNTING PRINCIPLES FOR THE BALANCE SHEET

Tangible fixed assets

Tangible fixed assets are stated at historical cost less straight-line depreciation over the expected useful life of the asset concerned.

Financial fixed assets

Financial fixed assets are stated at cost.

Receivables

Receivables are stated at face value. A provision for doubtful accounts is deducted. This provision is determined by individual assessment of the receivables.

PRINCIPLES FOR THE DETERMINATION OF THE RESULT

Income

Subsidies are recognised based on the actual costs related to the progress of the implementation of the grant, with the maximum of the approved budget. The income is allocated based on the realised indirect and direct project costs, implying that this income is only reflected if and when the related costs have been made.

Regular remuneration

Wages, salaries and social security charges are recognised in the statement of income and expenditure according to the conditions of employment as and when payable to employees.

Pensions

Fair Wear Foundation has a career-average pension scheme. The contributions related to accumulated pension rights paid to the pension scheme provider are accounted for in the statement of income and expenditure for the year.

Explanation of cash flow statement

The cash flow statement was drawn up in accordance with the indirect method. The financial resources in the cash flow statement consist of the liquid assets.

NOTES TO THE BALANCE SHEET

FIXED ASSETS

B1 Tangible fixed assets

	<u>Inventory</u>	<u>Computer</u>	<u>Total</u>
	€	€	€
January 1, 2019			
Purchase value	124,080	116,748	240,828
Accumulated depreciation	<u>-67,244</u>	<u>-73,509</u>	<u>-140,753</u>
	56,836	43,239	100,075
Changes 2019			
Investments	4,406	8,720	13,126
Fully amortized purchase value			
Fully amortized accumulated depreciation			
Depreciation	<u>-23,172</u>	<u>-25,761</u>	<u>-48,933</u>
	<u>-18,766</u>	<u>-17,041</u>	<u>-35,807</u>
December 31, 2019			
Purchase value	128,486	125,468	253,954
Accumulated depreciation	<u>-90,416</u>	<u>-99,270</u>	<u>-189,686</u>
	38,070	26,198	64,268
Depreciation percentages	20%	33%	

B2 Financial fixed assets

	<u>Dec 31, 2019</u>	<u>Dec 31, 2018</u>
	€	€
Subsidiary (Fair Wear Global Services B.V.)	<u>1</u>	<u>1</u>

Fair Wear registered this wholly owned subsidiary in 2018, (private company) since such a legal entity is required for certain donors. Because of the size of both the foundation and the BV consolidation is not required. All expenses in the BV are invoiced to Fair Wear Foundation and the result of the BV is therefor nihil.

CURRENT ASSETS

B3 Receivables

	<u>Dec 31, 2019</u>	<u>Dec 31, 2018</u>
	€	€
<i>Debtors</i>		
Nominal value	214,011	187,211
Less: provision doubtful debts	<u>-12,690</u>	<u>0</u>
	201,321	187,211
<i>Taxes</i>		
Value added tax	<u>54,965</u>	<u>107,170</u>

	<u>Dec 31, 2019</u>	<u>Dec 31, 2018</u>
	€	€
<i>Subsidies and contributions</i>		
Ministry of Foreign Affairs, Social Development	24,435	0
ASN	<u>81,880</u>	<u>33,279</u>
	<u>106,315</u>	<u>33,279</u>

Other receivables

Deposits World Fashion Centre	19,875	19,875
Services to be invoiced	10,639	3,311
Prepaid expenses	33,683	46,008
Other receivables	<u>15,360</u>	<u>25,313</u>
	<u>79,557</u>	<u>94,507</u>

B4 Liquid assets

ABN AMRO Bank N.V., current account	1,584,270	1,473,718
Triodos, current account	0	3,520
ASN, current account	144,429	0
ABN AMRO Bank N.V., savings account	99,638	849,513
Cash	<u>0</u>	<u>2</u>
	<u>1,828,337</u>	<u>2,326,753</u>

EQUITY

B5 Reserves

Continuity reserve

Balance as per January 1	657,318	433,284
Result	<u>161,311</u>	<u>224,034</u>
Balance as per December 31	<u>818,629</u>	<u>657,318</u>

The Board and the Management team strived to enhance the equity to be able to cover the fixed costs for at least 6 months in the case of significant income loss. In light of the increase in operations, the surplus from the results appropriation 2019 is added to the continuity reserve

The activities Fair Wear develops for brands and which are paid by the brands give Fair Wear opportunities to enhance equity to a certain level. Fair Wear is transparent to members on the equity and reserve policy. As per the end of 2019, the continuity reserve enables the organisation to cover 3 months of the fixed organisational costs. The costs of the organisation represents the staff costs (with a contract of more than one year) and the

LIABILITIES

B6 Current liabilities

	<u>Dec 31, 2019</u>	<u>Dec 31, 2018</u>
	€	€
<i>Subsidies received in advance</i>		
BuZa, Strategic Partnership	884,014	1,135,286
BuZa, Strategic Partnership Flexible Fund	-	95,432
RVO, child labor India	21,911	-
BFA WEP	-	17,783
GIZ	<u>14,370</u>	<u>120,209</u>
	<u>920,295</u>	<u>1,368,710</u>
<i>Tax and social security</i>		
Social premiums and wage tax	91,607	69,473
Pension premiums	<u>-553</u>	<u>-</u>
	<u>91,054</u>	<u>69,473</u>
<i>Accruals and deferred income</i>		
Holiday allowance	119,920	103,679
Accumulated days off	142,157	96,202
Other payables	<u>41,467</u>	<u>40,343</u>
	<u>303,544</u>	<u>240,225</u>

OTHER FINANCIAL LIABILITIES

In 2016 the foundation signed a rental contract for a period of 5 years from 1 October 2016 until 30 September 2021, with the possibility to divest a part of the rented space (100 m2 of the total 470 m2) per 31 December 2020. The remaining obligation until the end of the contract period amounts to € 138.000. For 2020 the yearly costs for rent and service amount to € 78.880.

NOTES TO THE STATEMENT OF INCOME AND EXPENDITURE

INCOME	Budget 2019	Actual 2019	Actual 2018
	€	€	€
S1 Contribution member companies			
Contributions member companies	<u>985,000</u>	<u>1,043,260</u>	<u>902,288</u>
S2 Subsidies			
Fastenopfer & Max Havelaar Switzerland	9,000	9,070	8,981
Ministry of Foreign Affairs, Strategic Partnership	5,136,836	4,735,428	4,732,396
Ministry of Foreign Affairs, Social Development	122,539	119,867	168,931
GIZ	150,000	220,910	0
ASN	182,300	213,030	33,279
BFA WEP communication module	42,175	48,516	11,827
	<u>5,642,850</u>	<u>5,346,821</u>	<u>4,955,414</u>
EXPENDITURE			
S3 Personnel costs			
Salaries	2,426,981	2,317,724	1,954,349
Social security premiums	418,457	407,509	334,185
Sickness insurance premiums	120,569	104,982	91,807
Pension costs	284,949	261,967	238,082
Hired staff	129,430	108,024	8,732
Training and education costs	50,000	33,644	19,166
Other personnel costs	97,740	74,770	74,490
Sickness insurance claims	-125,000	-87,184	-104,230
	<u>3,403,126</u>	<u>3,221,436</u>	<u>2,616,580</u>

On a full time basis FWF employed in 2019 an average of 39 FTE in the Netherlands and 2,44 FTE outside the Netherlands (2018: 35.4 and 3). Members of the board of Fair Wear Foundation do not receive any salary nor allowance.

WNT notification remunerations Executive Director amounts x € 1

Name	A.R. Kohnstamm	A.R. Kohnstamm
Job title(s)	Executive Director	Executive Director
Period:	January-December 2019	February-December 2018
Scope employment (in fte)	1	1
WNT-maximum international development	€ 181,000	€ 174,000
Remuneration	102,060	86,032
Taxable expense allowance	0	0
Benefits payable on term	15,752	13,035
Total	<u>117,812</u>	<u>99,067</u>

*WNT = Wet Normering Topinkomens; Dutch legislation on the criteria for incomes of management/directors

Members of the board of Fair Wear Foundation do not receive any salary nor allowance. Board members are reimbursed for expenses, incurred, including expenses for travel and stay. The total cost in 2019 amounted to EUR 3,302 (2018: EUR 1,770).

	Budget 2019	Actual 2019	Actual 2018
	€	€	€
S4 Office and administration costs			
ICT and website costs	100,000	104,485	104,805
Office rent and housing costs	89,942	81,648	78,848
Administrative and audit costs	49,450	33,843	26,584
Organisational costs	37,108	33,056	12,853
Communication costs	26,000	17,295	22,087
Provision bad debts	15,000	12,690	-3,083
Travel costs	10,000	0	0
Bank charges and exchange rate differences	12,500	17,729	15,240
	340,000	300,746	257,335

S5 Depreciation

Inventory	25,000	23,172	23,204
Computer	28,250	25,761	30,053
	53,250	48,933	53,257

S6 Costs teams

Impact (incl SP coord)	(S6a) 845,340	801,717	810,355
Production countries	(S6b) 1,377,477	1,389,208	1,368,111
External Relations and Communications	(S6c) 404,050	390,944	550,672
Membership	(S6d) 140,200	98,799	80,190
Management	(S6e) 77,000	71,352	42,229
	2,844,067	2,752,020	2,851,557

S6a Impact team

Programme management Strategic Partnership	138,000	121,616	163,237
Social Dialogue project Cornell University	125,000	129,109	0
Planning, monitoring, evaluation and learning	79,000	40,753	41,439
Social Dialogue	45,000	46,255	47,418
Information management	178,240	176,653	134,735
Gender projects	99,500	83,926	224,673
Living wage project	129,000	154,265	197,194
Knowledge, research and evidence collection	41,300	41,236	0
Policy development	10,300	7,904	1,659
	845,340	801,717	810,355

S6b Production countries team

In country expenditures	1,058,815	1,085,411	1,154,845
Holistic Remediation/audit methodology	130,000	143,839	53,438
Complaints mechanism	67,750	60,744	64,315
Workplace Education Programme (WEP)	120,912	99,214	95,513
	1,377,477	1,389,208	1,368,111

	Budget 2019	Actual 2019	Actual 2018
	€	€	€
<i>In country expenditures per country</i>			
Bangladesh	178,000	185,933	222,849
China	117,982	128,839	125,892
Eastern Europa	88,020	86,965	61,644
Indonesia	119,697	97,935	118,055
India	181,606	193,685	197,607
Italy	6,200	9,402	0
Myanmar	125,000	97,087	174,985
Tunisia	21,810	17,654	21,215
Turkey	100,000	128,804	118,425
Vietnam	120,500	139,107	114,173
	<u>1,058,815</u>	<u>1,085,411</u>	<u>1,154,845</u>
S6c External relations and communications team			
Development and updating websites	47,500	53,717	104,707
Updating strategy and visibility	30,000	36,513	87,267
Dissemination of results and products	84,200	43,761	42,152
Media and external communication	138,000	154,890	85,029
Stakeholders involvement	0	0	167,243
Lobby & Advocacy Strategic Partnership	104,350	102,063	64,274
	<u>404,050</u>	<u>390,944</u>	<u>550,672</u>
S6d Membership team			
Brand liaison	25,000	4,785	0
Performance Benchmarking	35,000	43,367	37,068
Member learning and innovation	30,000	24,700	0
Acquisition new members	37,200	14,208	32,114
Member communication	13,000	11,739	11,008
	<u>140,200</u>	<u>98,799</u>	<u>80,190</u>
S6e Management team			
Partnership development	50,000	51,495	25,000
Other costs	27,000	19,857	17,229
	<u>77,000</u>	<u>71,352</u>	<u>42,229</u>
1.7 Expenses audits on behalf of members			
Costs audits on behalf of members	320,000	286,488	251,968
Costs other paid services to members	60,000	80,585	59,111
	<u>380,000</u>	<u>367,073</u>	<u>311,079</u>

Other information

Events after the balance sheet date

During the period between the balance sheet date and the approval of the financial statements by the Board no events occurred that would change the situation indicated on the balance sheet date.

Approval and adoption of the financial statements

The annual report and the accompanying financial statements were adopted by the Board on 23 April 2020.

Appropriation of the result

The board approved the proposal for the appropriation of the result € 161,311 to the continuity reserve.

Budget 2020

Revenues	€
Contributions member companies	1,070,000
Audits and other paid services on behalf of affiliates	483,000
Subsidies	4,639,933
Other income	15,000
Total income	6,207,933
Expenditure	
Personnel costs	3,588,962
Office and administration costs	305,000
Depreciation	50,000
Total costs teams	2,076,100
Costs audits and other paid services to members	405,000
Total expenditure	6,425,062
Decision to draw from reserves	-217,129

INDEPENDENT AUDITOR'S REPORT

To: The Board of Directors of Stichting Fair Wear Foundation
Postbox 69253
1060 CH AMSTERDAM

A. Report on the audit of the financial statements 2019 included in the annual report

Our opinion

We have audited the financial statements 2019 of Stichting Fair Wear Foundation, based in Amsterdam.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Stichting Fair Wear Foundation as at 31 December 2019 and of its result for 2019 in accordance with the 'Guideline for Not-for-profit organisations' [DAS 640] as published under the responsibility of the Dutch Accounting Standards Board.

The financial statements comprise:

- 1 the balance sheet as at 31 December 2019;
- 2 the statement of income and expenditure for 2019; and
- 3 the notes comprising a summary of the accounting principles and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of Stichting Fair Wear Foundation in accordance with the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- The Board's report
- Budget 2020
- Projects and grants.

Based on the following procedures performed, we conclude that the other information is consistent with the financial statements and does not contain material misstatements.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The Board of Directors is responsible for the preparation of the other information in accordance with the 'Guidelines for Not-for-profit Organisations' [DAS 640] as published under the responsibility of the Dutch Accounting Standards Board.

C. Description of responsibilities regarding the financial statements

Responsibilities of management for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance 'Guidelines for Not-for-profit Organisations' [DAS 640] as published under the responsibility of the Dutch Accounting Standards Board. Furthermore, the Board of Directors is responsible for such internal control as the Board of Directors determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Board of Directors is responsible for assessing the Foundation's ability to continue as a going concern. Based on the financial reporting framework mentioned, the Board of Directors should prepare the financial statements using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

The Board of Directors should disclose events and circumstances that may cast significant doubt on the Foundation's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control;
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

Westzaan, 20 May 2020

Mattens Registeraccountants B.V.



J.L.M. Mattens RA

Projects and grants

DONOR: FASTENOPFER

Institutional support

In 2007, Fair Wear started a formal cooperation with ISCOM, a Swiss collaboration of NGOs with a similar goal to Fair Wear. This cooperation resulted in several Swiss companies joining Fair Wear Foundation as well as an increase in Fair Wear brand awareness in Switzerland and a Swiss NGO being appointed to the Fair Wear Board. As a result, Fastenopfer chose to financially support the work of Fair Wear on an institutional basis. Since 2017 Fastenopfer subsidised Fair Wear to the amount of CHF 10,000 annually.

	Advances	Total project costs	Approved
2017	8,608	8,608	8,608
2018	8,981	8,981	8,981
2019	9,070	9,070	

DONOR: BROT FÜR ALLE

Fair Wear WEP Communication Module 2017-2019 (extended)

In 2017 Fair Wear entered into an agreement with Brot für Alle and received financial support to develop a training module on worker-management dialogue in China as part of its Workplace Education Programme (WEP). Due to external circumstances, Fair Wear had to postpone implementation in China. Fair Wear and BfA therefore agreed to extend the project until September 2019 and expand to Vietnam, Myanmar and Indonesia in a co-funding structure with the Dutch Ministry of Foreign Affairs.

The new WEP Communication module focuses on improving worker-management interaction by developing skills for collaborative problem-solving. In 2018, Fair Wear started to pilot the WEP Communication training at three suppliers of Fair Wear members in Indonesia and Myanmar. In 2019 Fair Wear integrated learnings into the module and implement further pilots in Vietnam, Indonesia and Myanmar. In addition, an evaluation of Fair Wear's WEP Basic module and complaint system was also be co-financed by the project.

Brot für Alle supported the Fair Wear-WEP Communication module with a total amount of CHF 90,000; which amounts around € 79,000. The project is finalised end of September 2019.

	Total project		Fair Wear share	BfA share	Potential remaining subsidies
	Advances	costs			
2017	17,000	33,288	14,440	18,848	60,152
2018	31,000	33,478	21,651	11,827	48,325
2019	31,000	99,399	50,883	48,516	0
exchange rate differences	191				0
	<u>79,191</u>	<u>166,165</u>	<u>86,974</u>	<u>79,191</u>	

DONOR: DUTCH MINISTRY OF FOREIGN AFFAIRS

The strategic Partnership for Garment Supply Chain Transformation 2016-2020

From 1 January 2016, the Dutch Ministry of Foreign Affairs has supported The Strategic Partnership for garment supply chain transformation 2016-2020. This five-year effort is led by Fair Wear, Dutch trade unions Mondiaal FNV and CNV Internationaal, and the Dutch Ministry of Foreign Affairs. It also includes a varied network of organisations in Europe and in eight garment-producing countries in Asia and Africa: Bangladesh, Cambodia, Ethiopia, India, Indonesia, Myanmar, Pakistan and Vietnam.

The goal of the SP is to improve labour conditions in the garment industry. The Partnership aims to bring together the expertise of trade unions, NGOs, and progressive brands and factories, to ensure that all supply chain actors are engaged. It focuses on 3 important themes, reflecting key labour issues:

1. Living wages: Supporting better wages while ensuring that industries remain profitable;
2. Gender equality: Ensuring that particular needs of women workers are addressed;
3. Social dialogue: Strengthening negotiation between management and workers' representatives

The project runs from 1 January 2016 to 31 December 2020. The total contribution of the Dutch Ministry of Foreign Affairs is € 32,000,000; the share for Fair Wear is € 19,430,000.

	MOFA total	CNV		MoFA	Fair Wear
		Internationaal	FNV Mondiaal		
	Total received	Amount disbursed	Amount disbursed	Amount disbursed	Amount disbursed
Project total	32,000,000	5,070,000	7,350,000	150,000	19,430,000
2016	6,990,038	629,861	1,614,167		4,746,010
2017	6,355,631	1,223,875	1,562,500		3,569,256
2018	7,384,415	732,014	3,216,580		3,435,821
2019	5,925,250	557,831	883,263	38,902	4,484,156
	26,655,334	3,143,581	7,276,510	38,902	16,235,243
Disbursements to receive	5,344,666	1,926,419	73,490		3,344,757
Fair Wear share in alliance					
	Total project costs	interest	Claimed	Potential remaining subsidies	
2016	2,513,247	1,500	2,511,747	16,918,253	
2017	3,371,658	0	3,371,658	13,546,595	
2018	4,732,396	0	4,732,396	8,814,199	
2019	4,735,428	0	4,735,428	4,078,771	
	15,352,729	1,500	15,351,229		

DONOR: DUTCH MINISTRY OF FOREIGN AFFAIRS

Evidence-based lobby & advocacy to support human rights protections for Syrian Refugee Garment Workers

The Dutch Ministry of Foreign Affairs supports the project Evidence-based lobby & advocacy to support human rights protections for Syrian refugee garment workers .

The project duration was initially from 1 September 2016 to 31 August 2018. Due to difficult circumstances in Turkey, an extension until Dec 31st, 2019 has been accepted. As part of Fair Wear's work related to Syrian refugees in Turkey, Fair Wear cooperated with trade unions, CSOs and MSIs. Fair Wear provided guidance to member brands and suppliers. This project had two specific areas of work: creating evidence and developing models on how to address the issues facing Syrian refugees; and supporting evidence-based advocacy in order to create sustainable, large-scale solutions for Syrians employed in the garment industry.

The total amount granted by the ministry amounts to € 488,696.63.

	Total received	Total project costs	Fair Wear share	Amount claimed	Potential remaining subsidies
Project total	488,697				
2016	244,348	71,414	10,809	60,605	428,092
2017	219,913	192,785	53,492	139,293	288,799
2018	0	235,085	66,154	168,931	119,868
2019	0	143,969	9,497	119,868	0
	464,261	643,253	139,952	488,697	
Disbursements to receive	24,436				

DONOR: ASN

Cooperation on living wage implementation 2018-2020

In 2018 Fair Wear Foundation and ASN Bank started to cooperate on Living Wages in the garment industry. The support of ASN varies with the savings on specific ASN accounts (Ideaalsparen), and also with the quantity and amounts of/on ASN creditcards. The subsidy is between € 100.000 - € 150.000 yearly.

Project total expected	445,345		
	Advances	Total project costs	Potential remaining subsidies
2018	0	33,279	412,066
2019	164,429	213,030	199,036
2020	0		
	<u>164,429</u>	<u>246,309</u>	
Disbursements to receive	<u>81,880</u>		

DONOR: GIZ

Promotion of multi-stakeholder projects for sustainable textile supply chains

Operationalization of Access to Remedy and Living Wage Practices with Cross Comparison of Contexts. The subsidy amounts to € 315,867.64 for 15 December 2018 until 31 July 2020.

Project total 315867.64

	Advances	Total project costs	Potential remaining subsidies
2018	120,209	0	315,868
2019	115,071	220,910	94,958
	235,280	220,910	94,958
Disbursements received in advance	14,370		

DONOR: RVO Child labour

The project root causes of child labour in India

In 2019 Fair Wear, Good Weave International and the GoodWeave India Trust started a partnership to end Child Labour in the Apparel Supply Chains. The project addresses root causes of child labour in India and works with brands to integrate best practice to protect workers and families in the home-based settings. The project will continue till 31 August 2021.

The subsidy is between € 473,036 for 1 September 2019 until 31 August 2021.

Project total 473,036 (of which for Fair Wear 57,065)

	Advances	Total project costs	Fair Wear own contribution	Good weave	Potential remaining subsidies
2019	141,911	0	21,911	120,000	57,065
Disbursements received in advance	21,911				